

Customer Loyalty Study of Transportation Equipment through the Realization of Customer Satisfaction

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Abstract - This study aims to examine service recovery and complaint handling in building customer loyalty through customer satisfaction on transportation equipment rental.

The sample was determined by 90 respondents using purposive sampling technique based on the number of population. The population is 912 customers who use transportation equipment rental services. The analytical tool used is Structural Equation Modelling (SEM) using AMOS Version 21 Program.

The results of hypothesis test indicate that all hypotheses are supported. Service Recovery and Complaint Handling have positive effect on Customer Satisfaction and Customer Satisfaction has positive effect on Customer Loyalty.

Keywords - Service Recovery, Complaint Handling, Customer Satisfaction, and Customer Loyalty.

I. PRELIMINARY

Customer loyalty is a challenging role for transportation business, such as in a car rental service company. Service Recovery, Complaint Handling and satisfaction are considered as the basis for building customer loyalty (Liat et al., 2017). Wahyudi et al. (2018) proved that repeated purchases accompanied by commitment means that consumers do not want to change even though the product or service is scarce in the market. Consumers voluntarily recommend these products and services to colleagues, family or other consumers (Venkatesan, 2018). According to Suhail, (2018), customer loyalty is customer loyalty to companies, brands and products. Farida and Ardyan (2018) showed that loyalty is the attitude of enjoying a brand that is presented by consistent purchase of the brand at all times. This study examines the effect of service recovery and complaint handling on customer loyalty with customer satisfaction as an intermediary variable in a transportation equipment rental company that has received increased complaints with various types of complaints over the past 3 (three) years.

II. LITERATURE REVIEW

A. Customer loyalty

Yang (2018) showed that customer loyalty is one of the main elements that produce benefits and gain sustainable competitive advantage for the company. Ngo and Pavelkova, (2017); Chahal et al. (2011), and Matzler et al. (2008) showed that Customer Loyalty is debated as the closest step to customer repurchase behavior.

Customer loyalty is usually referred as a consequence of all experiences that customers have with service / product providers (Mascarenhas, et al., 2006). Ngo and Pavelkova (2017) showed that customer loyalty shows a positive attitude and customer commitment to the brand, and wants to make future purchases or are willing to renew the contract. This behavior describes the chances customers will switch to competing service providers or brands and the willingness of customers to provide positive information to other parties.

B. Customer satisfaction

Suh and Yi, (2015) showed that customer satisfaction is an overall evaluation of personal consumption experience.

Evaluation based on direct experience is a strong behavior predictor (Fazio et al., 1989). Satisfaction is based on direct past experience, and influences behavioral intentions to repurchase.

Some behaviors indicate that bad behavior has a direct effect on intentions that are not mediated by attitude (Bagozzi, et al. 1988). Bagozzi et al. (1988) provided empirical evidence that past behavior serves as information for action decisions. Customer satisfaction is qualitative from past behavior as a summary of evaluative consuming experiences that have a direct impact on intention (Kurata and Nam, 2010). Customer satisfaction is defined as an evaluative summary of the (direct) consumption experience, based on the difference between initial expectations and actual performance perceived after consumption (Tse and Wilton, 1988; and Yi, 1990; 1993). Satisfaction is the level of one's feelings after comparing product performance or results perceived by their expectations. So, level of satisfaction is a function of the difference between perceived performance and expectations.

C. Service Recovery

The most important strategy in a highly competitive industry is to retain existing (current) customers and attract new customers (Chang, et al. 2015), therefore service providers must have an effective and immediate service recovery plan to handle each service failure. One of the service failures is the inability to meet customer expectations according to service provider standards (Ahmad, 2002; Mueller, et al., 2003, and Bortoli and Pizzutti, 2017).

Service failures as defined by Varenbergh and Orsingher (2016) occur when the services provided are not in accordance with what the customer anticipates. Lewis (2001) stated that service recovery is an make up attempt for customer disappointment after consuming organizational services. Ashraf and Manzoo (2017) defined service recovery as a specific action taken to ensure that customers get appropriate services after problems occur in normal service.

According to Ozuem, et al., (2017) service recovery includes action design to solve problems and improve the negative attitude of dissatisfied customers who ultimately can retain these customers. Choi, et al., (2014) defined service recovery as an action taken by service provider company on customer complaints due to failure of service perceived by the customer, therefore every service provider, especially in the service industry must have a plan to

implement the right service recovery system to minimize customer dissatisfaction (Liat, 2017).

D. Complaint Handling

complaining Customers often feel dissatisfied with the response to their complaints, this at least associated with the failure of service providers to respond adequately as the complainant wants, eg. apology or explanation from service providers (Friele et al. 2015). In general, complainants hope that with a complaint, it can prevent the occurrence of the same incident and the complainants hope that the handling of their complaints is responded professionally so that customers wishes are fulfilled (Friele and Emmy, 2006).

Complaint handling can explain satisfaction on the complaints procedure. The effort to maintain customer relationships comes from the argument that getting new customers requires more money than keeping existing customers (Grant and Schlesinger, 1995; Reichheld and Teal, 1996). Loyal customers will respect the company by always repurchasing, buying more and willing to pay premium prices to obtain additional services. Rothenberger, (2008) proved that loyal customers will cause the company's profitability to increase.

E. Hypothesis development

1. Service Recovery and Customer Satisfaction

The purpose of service recovery is to provide immediate responses when service failures result in customer dissatisfaction (Chang, 2008, and Chang and Chang, 2010) Detecting customer failures and dissatisfaction is difficult if customers fail to express their true perceptions.

Service recovery has been defined as the way service providers respond to service failures (Ashraf and Manzoo, 2017). Service recovery can increase customer satisfaction. This is a critical problem that become concern in the service industry because it can generate customer satisfaction and increase loyalty so that it create higher income (Varenberg, 2016).

Service recovery needs to be properly designed and implemented to avoid adverse reactions and increase customer satisfaction. Service recovery can bring huge benefits even though only a few improvements are made (Yeoh, 2014). Many service providers do not understand that service recovery is a tool to get more satisfied and loyal customers, and not just a process of waste of time and money.

Previous research showed that service recovery does not waste resources but provides a return of goodwill and high

profits (Krishna, and Jain, 2011) and is closely related to customer satisfaction (Kurata and Nam, 2010), therefore Hypothesis 1 is formulated that Service Recovery has positive impact on Customer Satisfaction

2. Complaint Handling and Customer Satisfaction

Complaint management is one of significant determinants of customer satisfaction and loyalty. The effort to maintain relationships with dissatisfied customers through complaint management has become the main focus of most customer retention strategies (Rothenberger, (2008). Essentially the management of complaints is an action taken to resolve problems caused by the failure of product delivery and to retain consumers

Experiencing service failure is a very likely event for service companies, although eliminating service failures is very difficult, service marketers can offer customers to complain (Orsingher, 2010). Effective recovery processes can repair service failures and consequently turn dissatisfied customers into satisfied customers, improve customer relationships and prevent defections (Nugel and Santos, 2017; and Andreassen, 2000). Harris, et al. (2006) proved that complaint handling affects customer satisfaction, so hypothesis 2 is formulated that complaint handling affects on customer satisfaction.

3. Service Recovery and Customer Loyalty with Customer Satisfaction as an intermediary.

Service Recovery must be designed and implemented properly to avoid adverse reactions due to service failures (Krishna, 2011). Service Recovery can bring big profits and as a tool to get more satisfied and loyal customers, not just a process of waste of time and money (Yeoh, 2015). Effective service recovery can lead to a higher level of customer satisfaction, intention to repurchase, positive word of mouth, improve the company's image, ending in customer loyalty (Harris et al., 2006; and Magdalena, 2016).

Customer satisfaction with service recovery is a predictor that tends to predict repurchase intentions. Previous research Forbes et al., (2005) found that satisfaction based on service recovery have a positive impact on customer loyalty. Therefore, hypothesis 3 is formulated Service Recovery influences customer loyalty through customer satisfaction.

4. Complaint Handling and Customer Loyalty with Customer Satisfaction as an intermediary.

Tax, et al. (1998) defined complaints as conflicts between consumers and business organizations and the

results of the complaint resolution process are the main evaluative criteria used by customers in measuring their satisfaction. The way business organizations face consumer complaints can significantly affect satisfaction levels, which will ultimately have an impact on consumer loyalty (Homburg and Furst, 2005; Kelley, et al., 1993; and Levesque and McDougall 1996).

Customer complaints are an opportunity for business organizations to identify problems in the service process, and need to take appropriate care (Callin, 2012). Appropriate handling positively affects consumer perceptions of organizational professionalism, which can determine increased customer satisfaction and end in customer loyalty (Maxham and Neteneyer, 2002; Nagel, 2017, Ruchtenberger, 2008) therefore hypothesis 4 is formulated Complaint Handling affects customer loyalty through customer satisfaction.

5. Customer Satisfaction and Customer Loyalty

Previous research has shown that customer satisfaction affects loyalty (Arokiasamy, 2013). The direct effect of consumer satisfaction on loyalty is consistent with the concept of behavioral consistency (Sivadass and Baker, 2000). Empirical evidence showed that customer satisfaction really translates into loyalty (Hana, 2015).

Ehigie's research, (2006) found the impact of customer satisfaction on customer loyalty and has a positive effect on organizational profitability. According to Baumann (2012) satisfied customers form the foundation of every successful business and lead to repurchase, brand loyalty, and positive word of mouth. While Faullant, et al. (2008). asserted that having satisfied customers is not enough to have a very satisfied customer, because customer satisfaction must lead to customer loyalty.

The relationship between customer satisfaction and customer loyalty depends on the type of satisfaction (Bloemer & Kasper, 1995; Bloemer & Ruyter, 1998). Based on empirical findings, service quality is one of the antecedents of satisfaction (Anderson & Sullivan, 1993; Cronin & Taylor, 1992, 1994; Reidenbach & Sandifer, 1990; Spreng & Mackoy, 1996; Dabholkar, PA 1995; and Woodside, et al., 1989), and loyalty is one of the consequences of satisfaction (Coner & Gungor, 2002; Cronin & Taylor, 1992, 1994; Dabholkar, et al., 2000). Daniel (2016) found that customer satisfaction has an effect on customer loyalty. Empirical evidence showed that customer satisfaction translates into loyalty (Hana, 2015), so

the hypothesis 5 is that customer satisfaction has a positive effect on Customer Loyalty.

III. RESEARCH METHODS

A. Population and Sample Determination

The population in this study is 912 transportation equipment rental customers. The sample is taken using the Slovin formula as follows:

$$n = \frac{N}{N \cdot d^2 + 1}$$

with N: Population, n: Sample, and d: tolerance

Based on the formula above, then the sample size with a tolerance of 10% is determined as follows:

$$N n = \frac{912}{912(0,1)^2 + 1} = 90,12 \rightarrow 90$$

Sampling using purposive sampling technique that the sample taken must reflect the characteristics of a predetermined population (Sugiyono, 2013).

The characteristics of respondents who were sampled were: have been customers for at least 1 year and are more than 20 years old.

B. Analysis Method

Validity test is done to reveal something measured by the questionnaire. (Gozhali, 2016). If significance value > 0.05, there is no significant relationship. Whereas if the significance value is <0.05, a significant relationship occurs.

Reliability Test is a tool to measure questionnaire indicators from variables or constructs. A questionnaire can be said to be reliable if someone's answer to the question is consistent or stable ie the variance of p variable value <0.01 (1%) can be said to be reliable (Gozhali, 2016)

The normality test aims to test whether the regression model has a normal distribution with graph analysis (Ghozali, 2016). Based on the multivariate test on c.r kurtosis <2.58 (on the assumption of $\alpha = 1\%$), if the value of c.r kurtosis > 2.58 then it is seen in the univariate test value in kurtosis the value is <2.58, this means the regression model, has a normal distribution.

C. Hypothesis Test (t test)

According to Ghozali (2016), the hypothesis is tested by t test, if the probability value is $\leq 5\%$, then Ho is rejected

and Ha is supported, whereas if the probability value is $\geq 5\%$ then Ho is supported and Ha is rejected.

IV. RESULTS AND DISCUSSION

Validity test uses Confirmatory Factor Analysis (CFA) which is a test with the aim of determining the ability of indicators in measuring the latent variables (Ghozali, 2016). The indicator is valid if the significance level of all indicators is <0.05, therefore all indicators of service recovery variables, complaints handling, customer satisfaction, customer loyalty are valid, because it produces a significance level of <0.05. Reliability Test produces composite reliability > 0.6, so that the indicator is concluded on all variables of reliable research. Normality Test is seen on the normal probability output, the overall model has shown the fulfillment of the normality assumption. This is because the value of c.r. from skewness and kurtosis between -1.96 - 1.96 (Z at 0.05).

Structural Equation Modeling Equation $Y_1 = 0,177X_1 + 0,837X_2$, meaning (1) increasing service recovery will increase customer satisfaction. (2) increasing complaint handling will increase customer satisfaction.

The Effect of Service Recovery on customer satisfaction. Based on the significance value, there is a positive effect of service recovery (0.045) on customer satisfaction. So the hypothesis 1 which states that service recovery affects customer satisfaction is supported. This result is supported by Ahmad's findings (2002); Ashraf and Manzoo (2017); Choi, et al. (2014). Mueller, et al., (2003); Inyang, (2015); Ozuem, et al. (2016); and Varenbergh and Orsingher (2016) which stated that service recovery affects customer satisfaction.

The Effect of Complaint handling on customer satisfaction. Based on the significance value, there is a positive influence of complaint handling (0.008) on customer satisfaction. So that hypothesis 2 which states that Complaint handling affects customer satisfaction is supported. These results are supported by the findings of Andreassen (2000); Fornell and Wernerfelt (1987); Sviri, et al., (2010); Friele et al. (2015); Harris, et al. (2006); Orsingher (2010); Rothenberger (2008) which showed that complaint handling affects customer satisfaction.

Effect of Service Recovery on customer loyalty through customer satisfaction. Effect of Service Recovery on Customer Loyalty through Customer Satisfaction of $0.528 + (0.177 * 0.850) = 0.67845$. This shows that there is an effect of Service recovery on Customer Loyalty through Customer Satisfaction. These results are supported by the findings of

Craighead et al., (2004); Harris, et al. (2006); Krishna, (2011); Wu (2016); Efreem S. A. (2014); and Yeoh, (2015). which stated that Service Recovery affects customer loyalty through customer satisfaction.

Effect of Complaint Handling on Customer Loyalty through Customer Satisfaction. Effect of Complain handling on Customer Loyalty through Customer Satisfaction $0.700 + (0.837 * 0.850) = 1.41145$. This shows that there is an impact of Complain handling on Customer Loyalty through Customer Satisfaction. These results are supported by the findings of Kelley, et al. (1993); Levesque and McDougall (1996); Callin, (2012). Maxham and Neteneyer, 2002; Ruchtenbeger, (2008) and Nagel, (2017) which stated that Complaint Handling has an effect on Customer Loyalty through Customer Satisfaction.

Effect of customer satisfaction on customer loyalty. Based on the significance value there is a positive influence of customer satisfaction (0.014) on customer loyalty. So the hypothesis 5 which states customer satisfaction influences customer loyalty is supported. These results are supported by the findings of Sivadass and Baker (2000); Bowen, and Chen, 2001; Ehigie, (2006); Faullant, et al., (2008); Baumann (2012), and Hana, (2015); which stated that customer satisfaction affects customer loyalty.

Coefficient of Determination

The coefficient of determination test (R^2) can be done by looking at squared multiple correlations at the estimated value of the dependent variable that is customer loyalty (Ghozali, 2016). In this study the estimated squared multiple correlations obtained were 0.694 so that it can be interpreted that the variable complain handling, and service recovery can explain customer satisfaction by 69.4%. The estimate squared multiple correlations value is 0.722 so that it can be interpreted that the complaint handling, service recovery and customer satisfaction variables can explain customer loyalty by 72.2%.

V. CONCLUSION

Based on the results of the analysis and discussion, the following conclusions can be drawn:

1. Service recovery has a positive effect on customer satisfaction, meaning that if the service recovery is improved, the customer will be more satisfied.
2. Complaint handling has a positive effect on customer satisfaction, meaning that if complaint handling is improved, customers will be more satisfied.

3. Service recovery has a positive effect on customer loyalty through customer satisfaction, meaning that service recovery is right and fast, so satisfied consumers will be more loyal.

4. Complaint handling has a positive effect on customer loyalty through customer satisfaction, meaning that Complaint handling is getting better so customers will feel satisfied, so that customers become loyal.

5. Customer satisfaction has a positive effect on customer loyalty, meaning that if customer satisfaction increases then customers will be more loyal.

A. Theoretical Implications

Theoretical implications in research are building customer loyalty on transportation equipment rental companies need to focus on efforts to provide satisfaction to customers through service recovery and complaint handling. Service recovery is carried out by always giving immediate responses when a failure occurs, and handling complaints must be done by resolving problems caused by failure to deliver properly.

B. Managerial Implications

Managerial implications in this study are transportation equipment rental services companies need to make programs related to service recovery quickly and accurately and need to provide more frequent training on customer service in handling customer complaints.

C. Research Limitations

The results of this study cannot be generalized to all types of transportation equipment rental businesses

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