The Effect of Price and Service Quality on Customer Satisfaction and Loyalty Customer Waroeng Steak and Shake Medan

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Abstract

Waroeng Steak & Shake Medan is one of culinary businesses in Medan. The increase in customer loyalty at Waroeng Steak & Shake Medan is influenced by the variable of price in which determining the price provides understanding, influence, and improves bad customer loyalty. The objective of the research was to examine and analyze the influence of price and service quality on customer satisfaction which, in turn, influenced customer loyalty at Waroeng Steak & Shake Medan, North Sumatra. The research used descriptive quantitative method with associative explanation approach. The study was conducted from July 2017 to August 2017. The population was 5,859 customers who were accidentally met by the researcher, based on Slovin formula, and 374 of them were used as the sampling, taken by using accidental sampling technique and path analysis. The result of the research showed that the variable of price had positive and significant influence on customer satisfaction, service quality had positive and significant influence on customer satisfaction, price and service quality simultaneously had positive and significant influence on customer satisfaction, price had positive and significant influence customer loyalty, service quality had positive and significant influence on customer loyalty, price had positive and significant influence on customer loyalty through customer satisfaction, and service quality had positive and significant influence on customer loyalty through customer satisfaction.

Keywords: price, service quality, customer satisfaction, customer loyalty.

Introduction

Culinary business must be able to adapt to the complex changes in the environment that requires business actors are able to respond to changes that occur in order to achieve business success. Business strategy in supporting culinary business is very important considering not all business can be run with traditional concept, along with economic change, state condition and technology.

For the culinary business in the face of competitiveness and relationships attract customers, the price factor becomes an important consideration. The price of a product or service is determined by the amount of sacrifices the customer incurs in order to produce the services and the expected benefits, since the pricing of the product is important in influencing the operating profit. In fact when there is a price increase, usually a loyal customer will not take into account the price to be able to
get satisfaction. However, customers who do not have loyalty to the product will choose to consume the goods at a lower price even if the goods of such necessities have different qualities. One of the product prices in the business is the price of meat. The following can be explained the rate of beef price increase.

**Table 1.** Changes in beef prices in Medan City (Period July - August 2017).

<table>
<thead>
<tr>
<th>Information</th>
<th>Price (Rp)</th>
<th>Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef Price@ Kg (July 2017)</td>
<td>100.000</td>
<td>----</td>
</tr>
<tr>
<td>Beef Price@Kg (August 2017)</td>
<td>110.000</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Medan City Market Center (2017).

The increase in beef prices in the market in August 2017 prompted Waroeng Steak and Shake to apply new pricing policies by increasing the selling price of the products as presented in the table below.

**Table 2.** Product price changes at Waroeng Steak and Shake Medan

<table>
<thead>
<tr>
<th>Information</th>
<th>Product Price</th>
<th>Price Increases</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Old Price</td>
<td>New Price</td>
</tr>
<tr>
<td>Beef Steak</td>
<td>Rp. 22.000</td>
<td>Rp. 29.000</td>
</tr>
<tr>
<td>Sirloin Steak</td>
<td>Rp. 15.000</td>
<td>Rp. 19.500</td>
</tr>
</tbody>
</table>

Source: Steak and Shake Medan (2017).

When referring to the law of demand, the consumer will reduce its consumption on the product. However, consumer behavior is not limited to price changes. Consumers who have high loyalty are generally not sensitive to price changes. The running of a business for a long period of time in this case involves the level of price and quality of service that affects the satisfaction or not of customers to a product so as to create customer loyalty. Based on the background, the authors are interested to conduct research entitled "Effect of Price and Service Quality on Customer Satisfaction and Loyalty Customer Waroeng Steak & Shake Medan".

**Literature Review**

**Price**

Price is a form of value of an item or amount of money charged to a good and service. Price is one factor that must be controlled harmoniously and in harmony with the goals to be achieved by every business (Kotler, 2009). Price is an obvious aspect for buyers (Tjiptono 2005). Hasan (2013) states that “In general, the purpose of price determination to find profits for the company to run smoothly”. Basically rate or price is an offer to buyer or market. Whether or not the market is accepted, the buyer and the market will determine. Conversely, if the market refuses then the company should review the pricing.

**Price Fairness Perception**

One of the foundations of fairness perception according to Consuegra et al. (2007) namely the principle of dual rights, which indicates that one party, should be unprofitable by causing harm from the other party. In many cases, price is the most important decision variable that customers take for various reasons. So it can be concluded that the price is the amount of money that has been determined company in exchange for goods or services traded and something else held company to satisfy the desires of customers and is one important factor in decision making in the purchase.

**Service Quality**

Tjiptono (2006) Quality is a dynamic condition associated with products, services, people, processes, and environments that meet or exceed expectations. Quality of
service is defined as the level of excellence expected and control over the level of excellence to meet customer desires. Service Quality can be identified by comparing customer perceptions of the services they actually receive with the actual services they expect (Lupiyoadi and Hamdani, 2006). Manullang (2008) conducted a study that the quality of services simultaneously and partially significant effect on customer satisfaction airline services PT. Garuda Indonesia Airlines in Medan Polonia Airport. The equation of researchers with previous researchers is the discussion of the influence of service quality on customer satisfaction.

Customer Satisfaction
Kotler and Keller (2007) define customer satisfaction as the level of one's feelings as a result of the comparison between reality and expectations received by a product and service. Akbar and Parves (2009) state that satisfaction is a customer evaluation of a product or service, whether the product or service has met their needs and expectations. Customer satisfaction plays an important role because there is a big difference in loyalty, between satisfied and completely satisfied customers (Lovelock and Wright, 2007).

Customer Loyalty
Customer loyalty is very important for marketers to recognize in order to determine the strategies needed to achieve, expand and sustain markets. Customer loyalty can be grouped into two namely brand loyalty (brand loyalty) and store loyalty (store loyalty). Brand loyalty is a favorable attitude towards a brand that is represented in consistent purchase of that brand over time, while store loyalty is also shown by consistent behavior but consistent behavior is in visiting a store where customers can buy the desired brand (Kotler and Keller, 2007). Akbar and Parves (2009) define loyal customers as a set of customers who have a supportive attitude toward the company, commit to buy back the company's products or services, and recommend the company's products or services to others.

Hypothesis
H0: X1, X2 = 0. Price and quality of service simultaneously effect customer satisfaction and its impact on customer loyalty at Waroeng Steak and Shake Medan.
H0: X1, X2 ≠ 0. Price and quality of service simultaneously have no effect on customer satisfaction and its impact on customer loyalty at Waroeng Steak and Shake Medan.

Research Method
The nature of this research using explanatory level of explanation, the research that intends to explain the position of the variables studied and the relationship between one variable with other variables namely price variables and quality of service to customer satisfaction, and customer loyalty in Waroeng Steak and Shake Medan. The population in this research is Waroeng Steak and Shake Medan customers. The study was conducted from July 2017 to August 2017. The sample used in this study was 374 people selected by Accidental Sampling method. Analysis of data by path analysis using SPSS software.

Results and Discussion
Based on the questionnaire data given to the research respondents are consumers who have grown up and have made repeat purchases more than once. Samples were chosen taking into account the sample's ability to answer questions in the questionnaire. Samples were taken from the population using the Slovin formula. With the 5% precision prescribed, the minimum sample (n) is 30 respondents. Thus the sample in this study amounted to 374 people. The sample selection was done by Accidental Sampling and Purposive Sampling. Therefore, samples were selected over the age range of more than 20 years that were known based on initial interviews.
before the questionnaire was given. In addition, to filter the respondent's answer is accurate in assessing the price, quality of service, satisfaction and loyalty proposed. Sample criteria at least 2 times made a purchase in Waroeng Steak and Shake Medan.

So the path diagram for path analysis model with intervening variable is like the picture below.

![Path Diagram](image)

Based on conceptual framework then there are two sub-structures in this research that is:
1. Analysis of influence of price and quality of customer to customer satisfaction. The equation is as follows:

   \[ Z = b_1X_1 + b_2X_2 + \varepsilon_1 \]

2. Effect of price and quality of service on the quality of service through customer loyalty. The equation is as follows:

   \[ Y = b_1X_1 + b_2X_2 + b_3Z + \varepsilon_2 \]

**Equation Model**

**Sub Structure 1**

*Test Simultaneously (F Test)*

In this case the variable price and quality of service have a significant affect on customer satisfaction, meaning that price variables and customer quality have a big enough roles in influencing the level of customer satisfaction.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>278.475</td>
<td>2</td>
<td>139.237</td>
<td>28.534</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>1810.341</td>
<td>371</td>
<td>4.880</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2088.816</td>
<td>373</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), X2,X1
b. Dependent Variable: Z

Based on Table 3 it is found that the value of Fcount is 28,534 with significant level 0.000 smaller than alpha 0.05 (5%). The resulting Fcount of 28,534 is greater than Ftable that is 2.63. The provisions of table F are derived from the number of samples minus the number of variables (Riduan and Akdon, 2010) i.e. \( df_2 = n - k = 374 - 4 = 370 \), and the number of variables is subtracted by 1, thus obtained \( df_1 = k-1 = 4 -1 = 3 \). And the results obtained from table F amounted to 2.63. Thus simultaneously price and quality of service have a positive and significant impact on Customer Satisfaction at Waroeng Steak and Shake Medan.
Partial Test (t Test)

Table 4. Coefficientsa.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>12.730</td>
<td>1.570</td>
<td>8.109</td>
<td>.000</td>
</tr>
<tr>
<td>Price (X1)</td>
<td>.129</td>
<td>.036</td>
<td>.176</td>
<td>3.605</td>
</tr>
<tr>
<td>Service Quality (X2)</td>
<td>.203</td>
<td>.034</td>
<td>.294</td>
<td>6.001</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer Satisfaction (Z)

Equation Model
Sub Structure II
Test Simultaneously (F Test)

Table 5. ANOVAb.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>577.851</td>
<td>3</td>
<td>192.617</td>
<td>50.984</td>
<td>.000a</td>
</tr>
<tr>
<td>Residual</td>
<td>1397.842</td>
<td>370</td>
<td>3.778</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1975.693</td>
<td>373</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Z, X2, X1
b. Dependent Variable: Y

Based on Table 5 we find that the value of Fcount is 50.984 with significant level 0.000 less than alpha 0.05 (5%). The resulting Fcount of 50.984 is greater than Ftable that is 2.63. Thus simultaneously the price, quality of service and customer satisfaction has a positive and significant impact on customer loyalty on Waroeng Steak and Shake Medan.

Partial Test (t Test)

Table 6. Coefficientsa.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>7.851</td>
<td>1.499</td>
<td>5.239</td>
<td>.000</td>
</tr>
<tr>
<td>Model (X1)</td>
<td>.124</td>
<td>.032</td>
<td>.176</td>
<td>3.898</td>
</tr>
<tr>
<td>Service Quality (X2)</td>
<td>.134</td>
<td>.031</td>
<td>.199</td>
<td>4.297</td>
</tr>
<tr>
<td>Customer Satisfaction (Z)</td>
<td>.358</td>
<td>.046</td>
<td>.368</td>
<td>7.835</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer Loyalty (Y)

In this case the price level in Waroeng Steak and Shake Medan affects the level of customer satisfaction, but some customers Waroeng Steak and Shake Medan is not sensitive to the price which means the higher price Waroeng Steak and Shake Medan followed by high customer satisfaction because some customers included in the category of productive age and above-average and sensitive to taste.

Quality of service gives influence to customer loyalty through customer satisfaction. So it can be concluded from the calculation that the quality of service is very big impact on customer loyalty through customer satisfaction, when compared with the price of customer loyalty through customer satisfaction.

The results of research and calculations performed indicate that the price gives a total influence on customer loyalty through satisfaction. Quality of service gives total influence on customer loyalty through customer satisfaction.
influence to customer loyalty through satisfaction. So it can be concluded that the results of processing, service quality gives the largest total impact on customer loyalty when compared to the influence of total price on customer loyalty. Service quality is a more dominant factor or greater in increasing customer loyalty in Waroeng Steak and Shake Medan. This result is supported by previous researcher Jahanshahi (2011) research results indicate that there is a high positive correlation between customer service and product quality with customer satisfaction and customer loyalty.

Conclusions
Price directly affects positive and significant to customer satisfaction, service quality directly positive and significant to customer satisfaction, price and service quality simultaneously have positive and significant effect to customer satisfaction, price directly have positive and significant influence to customer loyalty, service quality directly affects the positive and significant to customer loyalty, the price indirectly have a positive and significant impact on customer loyalty through customer satisfaction, service quality indirectly have a positive and significant impact on customer loyalty through customer satisfaction. Customer satisfaction will be created if the quality of services provided well and impacts to the customer loyalty.

References