



## THE EFFECT OF SERVICE QUALITY TOWARD CUSTOMERS' LOYALTY ON 707 BEACHBERM RESTAURANTS, BATUBELIG, BALI

A Study on the Customers of 707 Beachberm Restaurant, Batubelig, Bali

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### Abstract

This study aims to know and analyze the effect of service quality (tangibles, reliability, responsiveness, assurance, and empathy) toward customers' loyalty at 707 Beachberm Restaurant, Batubelig, Bali. The data collection technique in this study is purposive sampling with certain aims and consideration on the criteria of customers visiting 707 Beachberm Restaurant, Batubelig, Bali. There are 100 customers determined as the respondents of the study. The research results show that through regression equation, service quality affects the customers' loyalty on the aspect of tangibles which is equal to 0.003; reliability is 0.014; responsiveness is 0.721; assurance is 0.044; and empathy is 0.216. This means that service quality has a positive and significant effect toward the customers' loyalty at 707 Beachberm Restaurant, Batubelig, Bali. The value of  $F_{\text{calculated}}$  obtained is 148,850, while  $F_{\text{table}}$  is 3,089. Thus  $F_{\text{calculated}}$  is greater than  $F_{\text{table}}$  meaning that  $H_0$  is rejected and  $H_a$  is accepted. This means that it is proved that there is a simultaneous positive effect of service quality toward customers' loyalty.

**Keywords:** Service Quality, Customer Loyalty

### Introduction

Tourism growth nowadays has a great increase as there are so many foreign and domestic tourists spending their holidays in certain places to exhaust their boredom as well as wishing their existence to be sighted in the social media that is by spending holidays in unique places different from the usual ones.



Bali is one of the favorite tourism destinations for international and domestic tourists for them to enjoy the beaches and cultures which are still very classical and religious. Bali island is popularly called the island of thousand temples or the gods' island as there are many temples and arched entrance pillars decorating the island as well as its friendly and simple local people. It is not surprising that many international tourists visiting the island merely to enjoy the enchantment of beautiful sunset and the heat of the sun rays suitable for the guests to sunbathe on the beach. This interests the local people to open restaurants on the beach sides which have a relaxed nuance for the guests to ease their fatigued mind.

The 707 Beachbermrestaurant, Batubelig, Bali is an informal restaurant having beach views and relaxed atmosphere to pamper the guests or clients who are enjoying their holidays in Bali. The 707 Beachberm Restaurant, Batubelig, Bali was established on 7th July 2013. The customers' loyalty is viewed as strong relation between someone's relative attitude and repeated business. The service quality is basically the services provided by the company to its customers accompanied by professional efforts to provide satisfying services to the customers.

The number of customers in 707 Beachberm Restaurant, Batubelig, Bali in 2017 is as follows.

**Table 2. The Number of customers visiting 707 BeachbermBatubelig Restaurant, Batubelig, Bali in 2017.**

NO	MONTH	NUMBER OF CUSTOMERS
1.	January	3.100
2.	February	2.800
3.	March	3.100
4.	April	3.000
5.	May	3.100
6.	June	3.000



7.	July	3.750
8.	August	4.000
9.	September	3.000
10.	October	3.100
11.	November	3.000
12.	December	3.560
	Total Number of Customers	36.500

**Source : 707 Beachbermmrestaurant management, Batubelig, Bali**

Based on table 1.2, the total customers visited 707 Beachbermm Restaurant Batubelig, Bali, in 2017 was very fluctuated each month. The highest visit happened on July and August as many as 3,750 and 4,000 customers. July and August are called high season months because there are school holiday and work holiday seasons for the domestic and international tourists on those months. In December, the total customer visit was 3.560 persons because in December there are Christmas and New Year celebrations. Based on the background described above, therefore, the research questions of this research are as follows: (1) Is there any tangible effect toward customer loyalty at 707 Beachbermm Restaurant, Batubelig, Bali?, (2) Is there any reliability effect toward customer loyalty at 707 Beachbermm Restaurant, Batubelig, Bali?, (3) Is there any responsiveness effect toward customer loyalty at 707 Beachbermm Restaurant, Batubelig, Bali?, (4) Is there any assurance effect toward customer loyalty at 707 Beachbermm Restaurant, Batubelig, Bali?, (5) Is there any empathy effect toward customer loyalty at 707 Beachbermm Restaurant, Batubelig, Bali?, (6) Does service quality affect simultaneously toward customer loyalty at 707 Beachbermm Restaurant, Batubelig, Bali?.

## 2. Literature Study

### a. Definition of Service Quality

According to Supranto (2010), Service Quality is a term which is seen by service providers as something that must be done well, while service definition according to Gronroos (2004) is an intangible activity or a



series of intangible activities which occurs as the result of an interaction between a guest and a staff or other things which is provided by the service provider company with the purpose of solving consumer/guest problem. Service is a very important factor especially for a company which operates on the service sector, in which, the physical of the product is usually supported by various product initials. The core of the product stated above is usually a specific service. Therefore, it is important to understand theoretically about the limitations, definitions, and factors which affect the service itself.

The Service Quality Dimensions (SERVQUAL). Some of the SERVQUAL dimensions are (Lupioadi, 2004):

- 1). The idea of tangibles is a company ability in showing its existence toward external parties. The appearance and ability of physical facilities and infrastructures of the company and the condition of surrounding environments are the tangible forms of the service given by the service provider which cover physical facilities (building, warehouse, and others), equipment which is used (technology), and also the staffs appearance.
- 2). Reliability is the company ability to deliver the appropriate service as promised accurately and reliably. The performance must be able to meet the expectation of the guest which covers punctuality, equal service to all the guests without making a mistake, sympathy attitude, and with a high accuracy.
- 3). Responsiveness is the ability to help and give a responsive and accurate service toward the guest by delivering a clear information.
- 4). Assurance is the knowledge, politeness, and ability of the company staffs to develop the trust of the guests toward the company. It consists of some components such as communication, credibility, security, competency, and politeness.
- 5). Empathy is giving a sincere attention individually or privately toward the guest by trying to understand the needs of the guest. A company is expected to have an understanding and knowledge about the guest, understanding the needs of the guest specifically, and to have a comfortable operation time for the guest.

#### b. Definition of Customer Loyalty

- 1). According to Tjiptono (2008), loyalty is a situation in which the customer behaves positively toward a product or producer (service



provider) which is followed by a consistent repurchasing pattern. Loyalty is an old term which is traditionally has been used to define an enthusiastic faithfulness and devotion toward the country, ideals, and individual. In the recent business context, the loyalty term has been used to define the willingness of the customer to become a constant customer of a company in the long term by purchasing and using the goods and the service continuously, and even far better, exclusively and voluntarily recommends the product of the company to his/her friends and colleges (Lovelock and Wright, 2007).

#### b. Definition of Customer

The customer is the person who buys a product that has been created and marketed by a company, where this person not only once purchased the product but also repeatedly.

According to Dick (2005), customer loyalty is customer commitment to a brand or company, based on a very positive attitude and reflected in consistent repeatedly purchases.

From the description above it can be concluded that customer loyalty is a strong commitment of customers to a brand where the customers give the loyalty to the company because the product / service of the company has provided something value to the customers. The value that customers get from the company's product / service will affect the attitude or behavior of the customers to a product / service in the future. The company will pay attention to those three attitudes and characteristics of the customers to be able to get loyal customers and defend from the threat of competitors.

Furthermore Griffin (2005) says that the benefits of the company with a loyal customer are to:

- 1) Reduce marketing costs (because entry cost to attract new customers is more expensive)
- 2) Reduce transaction costs (such as contract negotiation cost, order processing etc).
- 3) Reduce customer turnover costs (due to fewer customer turnover)
- 4) Increase cross selling that will enlarge the company's market share.



5) refer to a more positive word of mouth with the assumption that loyal customers also means they are satisfied.

Indicators of customer loyalty by Kotler and Keller (2010) are Repeat Purchase (loyalty to the purchase of the product), Retention (resistance to negative influence of the company), Referalls (referring to the total existence of the company).

### c. Hypothesis

Based on the description of theory and framework, the researcher formulates the hypothesis as follows:

H1: The physical evidence (tangible) has a positive effect toward customer loyalty.

H2: Reliability (reliability) has a positive affect toward customer loyalty.

H3: Responsiveness has a positive affect toward customer loyalty.

H4: Assurance has a positive affect toward customer loyalty.

H5: Concern (empathy) has a positive effect toward customer loyalty.

H6: Service quality has a positive affect simultaneously toward customer loyalty.

## 3. Research Methods

This study is a correlational research that attempts to see whether between two or more variables have a relationship or not, and how big if there is a relationship, and how the direction of the relationship (Faenkel and Walen, 2008). The definable variable consists of 2 (two) kinds, namely:

1) Independent variable is a variable that affects the dependent variable symbolized by (X). The independent variables in this study are service quality consisting of tangibles (X1), reliability (X2), responsiveness (X3), assurance (X4), empathy (X5).

2) Dependent variable is variable influenced by independent variable symbolized by (Y). In this study the dependent variable is loyalty (Y).

The data used in this study are quantitative and qualitative data. The data source of this study are primary and secondary data. The data collection procedure of this study is through the distribution



of questionnaires and documentation of the respondents. The number of samples in this study are 100 respondents. In order to process and analyze data, this study uses SPSS (Statistical Package for Social Science) version 21.0 for Windows with quantitative descriptive analysis, validity and reliability test, classical assumption test (normality test, multicollinearity test, heteroscedasticity test), regression test linear multiple, and t test and f test.

#### 4. Results and Discussion

Based on the characteristics of respondents by sex where respondents are customers or consumers of Restaurant 707 Beachberm Batubelig, Bali who are visiting the restaurant to enjoy food and drinks. Male respondents are 56 people or 56% and the female are 44 people or 44%. Characteristics of respondents by age, most of the respondents or customers in Restaurant 707 Beachberm Batubelig, Bali aged 17-22 years are 18 people or 18%, 23-28 years respondents are 38 people (38%), 29-34 years respondents are 17 people or 17%, and > 35 years are 27 people or 27%.

Based on the characteristics of respondents by occupation in which the type of job can show the diversity of views of respondents in interpreting and understanding each of item statement submitted in the assessment questionnaire. The majority of respondents who were visiting 707 Beachberm, Batubelig Restaurant, Bali work as entrepreneurs, consisting of 46 people or 46%, followed by respondents who work as employees consisted of 39 people or 39% and 15 respondents or 15% work as students. The test results of validity of research instrument shows that 20 items of statement submitted to the respondents through questionnaire are declared valid. This can be seen from the correlation value of each item statement with a positive value and magnitude more or equal to 0.3. The results of reliability test instrument shows that the value of coefficient Cronbach's Alpha of all research variables is more than 0.60. So it can be stated reliable. The normality test of the data shows Asymp value. Sig tangibles variable, reliability, responsiveness, assurance, empathy, and customer loyalty is greater than 0.05 means that the data distribution in this study is normal. The multicollinearity test results reveal that the Tolerance and VIF values of all independent variables have a value of <10. This means that multicollinearity in this research variable does not occur. In the heteroscedasticity image, it can be seen that the points do not form



a clear pattern and spread above and below the number of 0 on the Y axis. So it can be concluded that there is no heteroscedasticity. The above regression equation can be interpreted as follows:

- a. The constant of 0.071 means that if there is no change in the value of the independent variables namely Tangibles, Reliability, Responsiveness, Assurance, and Empathy, customer loyalty as the dependent variable will remain constant at 0.071.
- b. The X1 coefficient of regression of 0.003 shows that tangibles positively affects customer loyalty at 707 Beachberm Restaurant, Batubelig, Bali
- c. The X2 regression coefficient of 0.014 shows that reliability has a positive effect on customer loyalty at 707 Beachberm Restaurant, Batubelig, Bali
- d. The X3 regression coefficient of 0.721, shows that responsiveness has a positive effect on customer loyalty at 707 Beachberm Restaurant, Batubelig, Bali
- e. The X4 regression coefficient of 0,044, shows that the assurance has a positive effect on customer loyalty at 707 Beachberm Restaurant Batubelig, Bali
- f. The X5 Regression coefficient of 0.216, indicates that empathy has a positive effect on customer loyalty at 707 Beachberm Restaurant, Batubelig, Bali

To test the truth of the regression model for each variable can be obtained partially by using t test. The following description will explain the test of each variable partially:

#### 1. Tangibles Variable

The results obtained shows that value for tangibles variable show the value of

$t_{\text{calculated}}$  of 0.037 smaller than the value of  $t_{\text{table}}$  of 1.661 ( $0.037 < 1.661$ ), so the decision is to accept the null hypothesis ( $H_0$ ) and reject the alternative hypothesis ( $H_a$ ), this means that there is no partial effect of tangibles variable (X1) toward customer loyalty (Y).

#### 2. Reliability Variable



The test results shows thatt value for the reliability variable present the value of

$t_{\text{calculated}}$  of 0.168 smaller than the value of  $t_{\text{table}}$  of 1.661 ( $0.168 < 1.661$ ) then the decision to accept the null hypothesis ( $H_0$ ) and reject the alternative hypothesis ( $H_a$ ), this means that there is no partial effect of reliability variable ( $X_2$ ) toward customer loyalty ( $Y$ ).

### 3. Responsiveness Variable

The results obtained show that t value for the responsiveness variable shows the value of  $t_{\text{calculated}}$  of 7.958 is greater than the value of  $t_{\text{table}}$  of 1.661 ( $7.958 > 1.661$ ) then the decision is to reject the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_a$ ), this means that there is a partial effectof reliability variables ( $X_3$ ) toward customer loyalty ( $Y$ ).

### 4. AssuranceVariable

The test results show that t value for the assurance variable shows the value of

$t_{\text{calculated}}$  of 1.267 smaller than the  $t_{\text{table}}$  value of 1.661 ( $1,267 < 1.661$ ) then the decision is to accept the zero hypothesis ( $H_0$ ) and reject the alternative hypothesis ( $H_a$ ), this means that there is no partial effectof reliability variables ( $X_4$ ) toward customer loyalty ( $Y$ ).

### 5. Empathy Variable

Based on the test results, t value obtained for the responsiveness variable shows the value of  $t_{\text{calculated}}$  of 2.288 greater than the value of  $t_{\text{table}}$  of 1.661 ( $2.288 > 1.661$ ) then the decision rejects the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_a$ ), this means there is a partial effect of reliability variables ( $X_5$ ) toward customer loyalty ( $Y$ ).

F-test is used to test the positive effect between service quality to customer loyalty simultaneously and significantly at 707 Beachberm Restaurant Batubelig, Bali. The steps are:

#### 1. Hypothesis Formulation

$H_0: \beta = 0$  It means that there is no simultaneous and significant positive effect of service quality toward service loyalty at 707 Beachberm Restaurant, Batubelig, Bali



Ha:  $\beta \neq 0$  There is a positive effect simultaneously and significantly service quality toward customer loyalty at 707 Beachberm Restaurant Batubelig, Bali.

By using SPSS version 21 the result shows the value of  $F_{\text{calculated}}$  is 148,850.

## 5. Conclusion and Suggestion

### a. Conclusion

The discussion on this research can be summarized as follows:

- 1). Variable of tangibles (X1) has a regression coefficient of 0,003 (marked positive) on customer loyalty (Y) and  $t_{\text{calculated}}$  of 0,037 with significance level of 0,970 ( $> 0,05$ ). This means that the building, interior, facilities, employee appearance, cleanliness, and convenience in variable of tangibles (X1) has no positive effect toward customer loyalty (Y). Thus, hypothesis 1 which states that tangibles variable (X1) has no positive effect toward customer loyalty (Y) is rejected.
- 2). Reliability variable (X2) has a regression coefficient of 0,015 (marked positive) to customer loyalty (Y) and  $t_{\text{calculated}}$  of 0,168 with signification level of 0,867 ( $> 0,05$ ). This means that service in reliability (X2) does not positively affect customer loyalty (Y). Thus, hypothesis 2 which states that reliability (X2) has no positive effect toward customer loyalty (Y) is rejected.
- 3). Responsiveness variable (X3) has a regression coefficient of 0,734 (marked positive) on customer loyalty (Y) and  $t_{\text{calculated}}$  of 7,958 with signification level of 0,000 ( $< 0,05$ ). This means that the responsiveness and speed of employees in responsiveness (X3) have a positive effect toward customer loyalty (Y). Thus, hypothesis 3 which states that responsiveness (X3) has a positive effect toward customer loyalty (Y) is accepted.
- 4). The result of analysis shows that assurance variable (X4) has a regression coefficient of 0,044 (marked positive) to customer loyalty (Y) and  $t_{\text{calculated}}$  of 1,267 with significance level of 0,208 ( $> 0,05$ ). This means that hospitality, need



fulfillment and security assurance (X4) has no positive effect toward customer loyalty (Y). Thus, hypothesis 4 which states that assurance (X4) has no positive effect toward customer loyalty (Y) is rejected.

- 5). The analysis result obtained is that empathy variable (X5) has a regression coefficient of 0,214 (marked positive) to customer loyalty (Y) and  $t_{\text{calculated}}$  of 2,288 with significance level of 0,024 ( $<0,05$ ). This means that service, desire and good communication in empathy (X5) have a positive effect toward customer loyalty (Y). Thus, hypothesis 5 which states that empathy (X5) has positive effect toward customer loyalty (Y) is accepted.
- 6). Based on the value of  $F_{\text{calculated}}$  of 148,850, while  $F_{\text{table}}$  of 3,089 thus  $F_{\text{calculated}}$  is larger than  $F_{\text{table}}$  means  $H_0$  is rejected, then  $H_a$  is accepted. This means that it is true there is a simultaneous positive effect of the quality of service toward customer loyalty.

#### b. Suggestion

Based on the result of the analysis that has been done in this study, the suggestions are put forward as follows.

- 1). From the analysis result obtained, the most dominant variables affecting customer loyalty are responsiveness and empathy variables. So 707 Beachberm Restaurant Batubelig, Bali needs to innovate or improve and maintain good communication with guests such as greeting the guests, providing a service that appreciates the arriving guests with a warm smile and good knowledge in serving the customers need during their visit at 707 Beachberm Restaurant Batubelig, Bali. It will make the customers feel more satisfied and want to visit 707 Beachberm Restaurant Batubelig, Bali for the umpteenth time.
- 2). In the analysis, tangibles, reliability, and assurance variables partially do not affect the customer loyalty at 707 Beachberm Restaurant Batubelig, Bali, but the above variables are more concerned with the quality of services, so customer loyalty increases and it is suggested that the restaurant keep providing the excellent service, maintain cleanliness, complete



the incomplete facilities, keep the good appearance of the employees in order to look neat and clean. Because it will make the customers more satisfied to visit 707 Beachberm Restaurant Batubelig, Bali.