The Effect of Relational Benefits, Service Quality, and Product Quality on Customer Satisfaction and Loyalty

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Abstract

The level of sales becomes the most important thing in the Rosella Baru Sack Factory and recently there was a decline in sales levels in the company in 2019, this declining sales level is an obstacle to the development of the company. Besides, the Rosella Baru Sack Factory has also shown the customer relationship with the quality of services and products through employee agility, employee professionalism, and facilities that provide comfort, but have not yet had a significant impact on customer satisfaction and loyalty. The purpose of this study was to determine the effect of how much relational benefits, service quality, and product quality on customer satisfaction and loyalty for the future to be input to the company. And data were collected by questionnaire with 31 customers of the Rosella Baru Sack Factory. The analysis technique in this study uses Partial Least Square (PLS). The results showed that product quality had a significant positive effect on customer satisfaction and had no effect on customer loyalty, and other results showed that relational benefits and service quality also had no effect on customer satisfaction or loyalty. This research is important to be conducted as an input for stakeholders to determine the role of relational benefits, service quality, and product quality on customer satisfaction and loyalty.

Keywords

Safety Risk Perception, Structural Equation Modelling, Oil and Gas Industry.

1. Introduction

In the field of agriculture and plantations, the distribution of goods cannot be separated to deliver these goods to a place, namely plastic bags. Aside from being economical, easy to obtain and practical, plastic bags also have the same functions and benefits as jute bags. Not only that, plastic bags can also be designed according to your wishes, so they can be printed according to the wishes of the manufacturer and more practical. So, after all the plastic sack business is very promising for an agricultural country that is full of production in agriculture and plantations, call it sugar, coffee, cocoa and others. Businesses also need to compete and find new ideas to be able to develop their business, one of the ideas is to retain old customers compared to finding new customers. The cost of acquiring new buyers can be five times more expensive than the costs of maintaining old customers.

Choi and Matilla (2009) states that loyalty is the key to the success of a business. New customers are no guarantee to bring profit and success to a company. The profit, success, and sustainability of a company can be continuously improved through loyalty (Parsa et al. 2005). According to Etemad-Sajadi and Rizzuto (2013), loyalty is the impact of satisfaction. Giese and Cote (2000) states that satisfaction is a response from consumers, which means the assessment that a product (goods) or services can provide a pleasure for the users of the goods or services when using the goods or services. Giese and Cote (2000) states that satisfaction is the impact of several factors, namely Product quality, Service quality, and Image. Product quality consists of various kinds, namely variations in goods, appearance of goods, and taste of goods. The factors contained in Service quality such as fast service, friendly service, skills, and service behavior affect Satisfaction. Views or consumer information about goods or services can be seen through a symbol, also called Image. Consumers who buy goods or services can be created if consumers have a good image of an item or service (Malik et al. 2012).

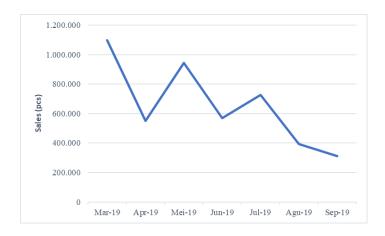


Figure 1. Charts of plastic sack sales in 2019.

Based on Figure 1, it is known that in May and July 2019 increased by 71% and 27%, but in April 2019 decreased dramatically to 50% and also in August by 45% and if seen based on the picture above then the graph looks likely to fall, from here then required analysis of the benefits of customer relationships with service and product quality on customer satisfaction and loyalty. PT Rosella Baru has shown that one side of customer relations, service and product quality is built in such a way but the number of sales of sacks is still volatile and tends to fall. Strong customer relationships and excellent service quality are important to create satisfaction and build customer loyalty. According to (Kotler and Amstrong, 2014), in essence, the company is trying to get customers, keep customers loyal to the company, and increase customer value for the company. Therefore, creating relationships is the most important thing in customer strategy. Relationship marketing is the process of creating, maintaining and enhancing strong relationships based on value with customers and other interested parties.

According to reference (Afshar, et al. 2011) in addition to improving service quality, product quality improvement is also needed. Many managers agree that success will depend on companies that are willing to improve quality and service according to customer demands. Quality is usually considered as a major strategic component of competitive advantage, and hence improving product quality has become a major concern for companies. Product quality can also be a good place to start providing satisfaction and loyalty results (Mostafa and Eltawil 2016).

Thus, this study is to determine the effect of relational benefits, service quality, product quality on customer satisfaction and loyalty at PTPN Rosella Baru. With this research, it is intended that the sale of sacks at PTPN Rosella Baru can increase productivity of the company, because with good relationships, products and services with consumers or in this case PTPN Rosella Baru's customers mean it can be a key marketing and sales strategy sacks in the company can run successfully. Besides being able to increase sales, by working with consumers can also increase knowledge in developing a business, because by meeting with many people and having different views and knowledge, it can add insight and broader mind. From the results of this study it is expected that companies can offer the right products to the right customers and in the right time as well. Thus, marketing efforts can be more effective and efficient. Or when developing a product that is most interested in customers, the company can also notify consumers that when they have a new product or service that may suit their needs based on their buying trends. The close relationship between the company and the customer is actually the key to a successful sales strategy.

2. Basic Theory

2.1. Relational Benefits

Relational benefits refer to the benefits customers receive either from the core product or from the relationship itself as a result of fostering a long-term mutually beneficial relationship. The benefits of customer relations can be considered as an important factor between organizations and customers (Gremler et al. 2002). Relational benefits are a fundamental condition for developing a prolonged relationship where both the company and customers feel positive results, or benefits. From the company side, benefits include loyalty, long-term profits and sales growth. From the customer side can be associated with the service or benefits that can be developed into a regular customer of the company (Gounaris et al. 2010).

Customers want to build and maintain a long-term relationship with the company because it can reduce risks caused by uncertainty and get more benefits (Lai et al. 2007). Relationship benefits will be felt by customers when receiving services with a higher value than expected from service providers. In other words, the company conveys value consistently from the customer's perspective. So, customers will receive benefits clearly. Thus, it will encourage customers to maintain relationships with the company (Fitria et al. 2016). Thus, relational benefits are the result of forming long-term relationships with service providers, relational benefits can be evaluated from the customer's perspective. The more customers receive the benefits clearly it will encourage customers to maintain relationships with the company.

2.2. Service Quality

Service quality is important for companies to be able to meet the needs of consumers and win the competition with competing companies. Service quality can be seen and compared with perceptions perceived by consumers of the services provided, whether the service is in accordance with customer needs.

The customer's initial expectations for the service must be compared to his perception of the service received. If the perceived performance rating is lower than initial expectations, it will show low quality service (Mackay et al 2015). The level of suitability of business service quality with a certain set of standards must be guided by the customer's point of view and not in terms of how management sees it (Wirtz 2019).

Based on various explanations on the definition of service quality, the service quality can be concluded and interpreted as professional performance, whose orientation is towards the fulfillment and needs of the community for its basic rights in the form of service. Whereas in the competition to win consumers that occur in business, not only facilities and product quality are sought by consumers, but no less important is service quality. Therefore, businesses must understand service quality and how to develop it.

2.3. Product Quality

Product is anything that can be offered to get attention, skill, use, or consumption that might satisfy a need and desire (Kotler and Amstrong, 2014).

- . Products can be classified in terms of intangibles or not into two groups, as follows:
- a. Goods: Goods are tangible outputs from the production process (changes in form), so that they can be seen, touched/touched, felt, held, stored, moved, and received other physical treatment.
- b. Services: Services are activities, benefits or satisfaction offered for sale. For example, repair shops, beauty salons, hotels, and restaurants.

Quality is the overall characteristics and characteristics of a product or service that shows its ability to satisfy implied needs. Product quality is the ability of a product to demonstrate its function, it includes overall durability, reliability, accuracy, ease of operation and product repairs as well as other product attributes (Kotler and Amstrong, 2014).

2.4. Customer Satisfaction

Satisfaction is a feeling of pleasure or disappointment someone who arises because of comparing the perceived performance of the product (or results) against their expectations. If performance fails to meet customer expectations, it will not be satisfied. If the performance is in line with expectations, the customer will be satisfied, if the performance exceeds expectations, the customer will be very satisfied or happy (Kotler and Amstrong, 2014).

Customer satisfaction leads to the viewpoint of customer experience. Namely the customer's assessment of the level of satisfaction after consuming a product or service that has provided pleasure at a certain level. The customer makes that judgment based on his experience using the product or service. Therefore, in the context of consumer behaviour theory, satisfaction is more defined from the perspective of the customer's experience after consuming or using a product or service. Therefore, satisfaction can be interpreted as a result of customer assessment that the product or service has provided a level of enjoyment where this level of fulfilment can be more or less (Irawan et al. 2013).

2.5. Customer Loyalty

Customer loyalty is defined as a positive attitude towards the product that is manifested through repurchase. Long term customer satisfaction will create customer loyalty. Where loyalty develops following stages namely, cognitive, affective, and conative.

Loyalty is one of the main phases of relationship marketing and has been analysed from a dual approach, attitude and behaviour. As an attitude that sometimes involves relationships and brands. In terms of behaviour revealed through repeated purchases. In this sense, loyalty is defined as the conjunction of a positive attitude and repeat purchases. In the service sector, customer participation in service delivery adds emotional dimensions to loyalty. In this context, customer loyalty is very dependent on service adjustments, personal communication management, and feelings of pleasure associated with shopping at the store. Specifically, loyalty to goods has been defined as behavioural responses expressed over time as a consequence of psychological decision-making and evaluative processes that result in commitment with the company (Berenguer-Contri et al. 2009).

3. Research Metodology

3.1. Research Framework

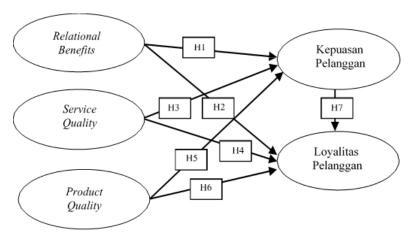


Figure 2. Conceptual framework.

Figure 2 explains the relationship of each variable. There are seven hypotheses tested in this study and this test uses a questionnaire that is divided into several companies. This research was conducted by survey method using a questionnaire. The type of data collected in this study is primary data. Primary data is data obtained for specific purposes in answering a research problem (Malhotra and Naresh 2010). Primary data obtained through survey research with the instrument used was a questionnaire. The questionnaire will be filled in by the respondent (self-administrated questionnaire) by first being given a screening question. Then respondents gave an assessment of a number of questions related to the research variable.

In the questionnaire design, the types of questions used are Scaled-Response Questions. Scaled-Response Questions are questions that are answered using a Likert scale, to find out respondents' opinions on the questions in the questionnaire. Likert scale is used to indicate the degree of agreement or failure of respondents on questions related to behaviour or objects. The Likert scale used in this study is a 7-point Likert scale, which is a scale of 1 for strongly disagree responses to a scale of 7 for strongly agreed responses.

This research was conducted in the area around Java and Sumatera Island. The reason for choosing the location of the study is because the respondents' limits determined in this study were limited to users of the Rosella Baru Sack Factory. The research will take place from November to December 2019. The questionnaire was distributed during May to June 2019 in Surabaya and obtained 31 questionnaire data.

3.2. **Data Processing**

In this section the authors analyse the path diagram that has been designed regarding the analysis of the influence of the variable relational benefits, service quality, and product quality. In addition, this analysis is also used to find out which variable most influences customer satisfaction and loyalty using the partial least square (PLS) method.

PLS is an alternative approach that shifts from a covariance-based SEM approach to variant-based (Berenguer-Contri

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et al. 2009). Covariance-based SEM generally tests causality or theory while PLS is more predictive of a model. In modelling with the goal of prediction has the consequence that testing can be done without a strong theoretical basis, ignoring some of the assumptions and parameters of the accuracy of the prediction model seen from the coefficient of determination (Jaya et al. 2018). Structural model testing in PLS is done with the help of SmartPLS version 3 for windows software. The steps that must be taken in Partial Least Square (PLS) include:

- 1. Designing Structural Models (inner models)
- 2. Designing a measurement model (outer model)
- 3. Constructing the path diagram
- 4. Converting Path Chart to Equation System
- 5. Estimation: Path coefficient, Loading and Weight
- 6. Evaluate the Goodness of Fit
- 7. Hypothesis Testing

The statistical hypothesis for the inner model of exogenous (independent) latent variables to endogenous (dependent) variables in this study is: H0: $\gamma i = 0$ versus H1: $\gamma i \gamma 0$ H0: There is no significant effect between variable X (exogenous) on satisfaction and loyalty H1 customers: There is a significant influence between variable X (exogenous) on customer satisfaction and loyalty.

4. Analysis and Discussion

4.1. **Demographic Description**

The profile of respondents is described based on their position in the company, length of work in the company, manufacturing sector, number of employees. The profile of respondents is shown in Table 1.

The positions of the respondents of this study were grouped into three, namely managers, executors and others. 9 respondents (29%) are managers in various fields, such as marketing, procurement, quality control, and others. While the majority were in the executive position, 19 respondents (61%) and others did not deign to fill in the questionnaire sheet, 3 respondents (10%). All respondents in this study were considered to understand their business conditions and have a major influence on future business policies.

The length of time the respondent worked was grouped into five time periods. The majority of respondents are the same in 2 categories, as many as 8 people (28%) and have worked in the company for 6-10 years and 11-15 years. Table 2 shows that more respondents worked less than 15 years. Only six respondents have worked in the company for more than 15 years.

This research business sector is devoted to the manufacturing or processing industry. The most respondents were 20 respondents in the sugar industry business sector (65%). In addition, there were also respondents with a manufacturing sector group of 2 (6%); Agriculture, forestry and fisheries 2 (6%); Fertilizer as much as 5 (16%) and other production sectors as much as 2 (6%), including in the wholesale trade and plantation sectors.

The number of employees can be used to measure how big the company is. The highest number of employees is in 500-1000 people in 9 companies (41%). And indeed, the average number of respondents represented a number of state-owned companies, especially in PT Perkebunan Nusantara. The number of employees \leq 500 people there are 7 companies (32%); 1000-2000 people there are 4 companies (18%); and the remaining 2 companies have \geq 2,000 people (9%).

Table 1. The profile of respondents.

Profile	Frequency	Percentage (%)
Position		
Manager	9	29%
Staff	19	61%
The others	3	10%
Total	31	100%
Length of work		
≤ 5 years	7	24%
6 - 10 years	8	28%
11 - 15 years	8	28%
16 - 20 years	1	3%
≥ 20 years	5	17%
Total	29	100%
Company sector		
Sugar Industry	20	65%
Manufacture	2	6%
Agriculture, forestry and fisheries	2	6%
Fertilizer	5	16%
The others	2	6%
Total	31	100%
Number of employees		
≤ 500 people	7	32%
500 - 1000 people	9	41%
1000 - 2000 people	4	18%
≥ 2000 people	2	9%
Total	22	100%

4.2. Variable Description

Translation of the variable description is done on five variables used in this study. The following description of each variable is shown in Table 2.

4.3. Analysis of Research Models

Partial Least Square Analysis (PLS-SEM) was used for the analysis of this research model. Evaluation is carried out on the outer model and the inner model. Outer model evaluation consists of convergent validity, discriminant validity, and composite reliability on each variable. The inner model evaluation consists of the R-square value, the Q-square value, and the path coefficient value.

4.3.1 **Convergent Validity**

The convergent validity test results in Table 3 show that the service quality variable, there are two indicators that do not meet the validity, namely SQ1 and SQ5 with loading 0.487 and 0.249. So that the indicator needs to be deleted on the service quality variable. While other indicators show loading more than 0.5. After being retested, it turns out that AVE from the relational benefits variable is still less than 0.5. This indicates the variance caused by measurement error. Therefore, the indicator with the smallest outer loading value in the calculation process needs to be deleted. So, the relational benefits variable there are two indicators that need to be removed, namely RB3 and RB5 with loading 0.534 and 0.559.

Table 2. Description of each variable.

	Statement			
RB - Relational Benefits				
RB1	PT. Rosella Baru is able to provide trust to customers.			
RB2	PT. Rosella Baru always has a good reputation.			
RB3	PT. Rosella Baru maintains a good relationship with customers.			
RB4	PT. Rosella Baru can give priority to queuing to customers.			
RB5	Discounted price provided by PT. Rosella Baru as you wish.			
	SQ - Service Quality			
SQ1	So far PT. Rosella Baru never disappoints.			
SQ2	Employees of PT. Rosella Baru cares about customer desires.			
SQ3	PT. Rosella Baru provides good service.			
SQ4	PT. Rosella Baru is able to provide timely services.			
SQ5	The ability of PT. Rosella Baru can be trusted			
	PQ - Product Quality			
PQ1	Customers are satisfied with the products of PT. Rosella Baru.			
PQ2	Product of PT. Rosella Baru can last long.			
PQ3	Product design of PT. Rosella Baru in accordance with the wishes of the customer.			
PQ4	PT. Rosella Baru is able to deliver products according to the specifications needed.			
KP – Cu	stomer Satisfaction			
KP1	PT. Rosella Baru can provide customer satisfaction.			
KP2	PT. Rosella Baru is able to meet the expectations of customers.			
KP3	There is no doubt about what is provided by PT. Rosella Baru.			
KP4	PT. Rosella Baru never disappoints customers.			
LP - Cus	stomer Loyalty			
LP1	PT. Rosella Baru will always be the customer's first choice.			
LP2	Customers will always use PT. Rosella Baru's product.			
LP3	Customers will not use products other than PT. Rosella Baru.			

Table 3. After convergent validity test.

Variable	Indicator	Outer loading	AVE
Relational	RB1	0.859	0.678
Benefits	RB2	0.809	
	RB4	0.802	
Service	SQ2	0.615	0.646
Quality	SQ3	0.854	
	SQ4	0.911	
Product	PQ1	0.780	0.594
Quality	PQ2	0.768	
	PQ3	0.746	
	PQ4	0.789	
Customer	KP1	0.845	0.657
Satisfaction	KP2	0.801	
	KP3	0.789	
	KP4	0.806	
Customer	LP1	0.833	0.755
Loyalty	LP2	0.958	
	LP3	0.808	

The loading value of the whole indicator on the intention variable has fulfilled the convergent validity. So that nothing needs to be removed. Overall, there are four research indicators whose loading is less than 0.6, so they do not meet the validity of the convergent. These indicators are SQ1, SQ5, RB3, and RB5. Then the model is re-certified by removing the indicators that do not meet these requirements. After that, it is necessary to do a validity test again on the model that has been previously specified. Table 3 above presents the results of the second convergent validity test. Outer loading on all indicators and AVE on all variables has shown values of more than 0.5. So that the validity test can be done further.

4.3.2 **Discriminant Validity**

Discriminant validity test is done by looking at the value of cross loading. Indicators are said to be valid if each indicator has a greater loading value when paired with variables/dimensions, compared to loading values when paired with other variables/dimensions. Table 4 shows the results that each indicator in this study has met the discriminant validity test. This shows the ability of question indicators to reflect their respective dimensions and variables, and there is no greater relationship with other dimensions and variables.

4.3.3 Composite Reliability

After two validity tests are performed, the reliability test is then performed. The reliability test is carried out to determine the level of consistency of each indicator in measuring its construct. Reliability test is done by looking at the value of composite reliability and Cronbach's alpha. The indicator is said to be reliable if the Cronbach's alpha value ≥ 0.6 and composite reliability ≥ 0.7 (Malhotra and Naresh 2010). In Table 5 all research variables can be said to have met the rules of composite reliability.

			1	1	
	RB	SQ	PQ	KP	LP
RB1	0.859	0.322	0.051	0.188	0.361
RB2	0.809	0.692	0.062	0.282	0.174
RB4	0.802	0.442	-0.052	0.226	0.203
SQ2	0.400	0.615	0.304	0.156	0.114
SQ3	0.635	0.854	0.220	0.311	0.176
SQ4	0.406	0.911	0.176	0.449	0.284
PQ1	-0.149	0.007	0.780	0.241	0.240
PQ2	-0.306	0.056	0.768	0.595	0.188
PQ3	0.033	0.098	0.746	0.134	0.092
PQ4	0.419	0.452	0.789	0.571	0.301
KP1	0.110	0.409	0.632	0.845	0.290
KP2	0.149	0.395	0.561	0.801	0.250
KP3	0.309	0.203	0.308	0.789	0.365
KP4	0.363	0.316	0.448	0.806	0.364
LP1	0.408	0.181	0.108	0.215	0.833
LP2	0.290	0.259	0.398	0.438	0.958
LP3	0.047	0.241	0.212	0.332	0.808

Table 4. Discrimiant validity - Cross Loading test results.

Table 5. Composite reliability test.

Variable	Cronbach's Alpha	Composite Reliability
Relational Benefits	0.765	0.863
Service Quality	0.739	0.842
Product Quality	0.796	0.854
Customer Satisfaction	0.827	0.885
Customer Loyalty	0.839	0.902

4.3.4 **R-square**

The R-Square value for customer satisfaction is 0.469. This value is classified as moderate. Means the percentage of diversity of data in the customer satisfaction variable that can be explained by relational benefits, service quality, and product quality by 46.9%, while the remaining 53.1% is explained by other factors outside the study. Then the R-Square value for customer loyalty is 0.207. This illustrates the percentage of diversity of data on the variable customer loyalty that can be explained by relational benefits, service quality, product quality, and customer satisfaction is 20.7%. This value is classified as weak because the remaining 79.3% is explained by other factors outside this study.

Table 6. R² test results.

Endogenous Variable	R Square	R Square Adjusted
Customer Satisfaction	0.469	0.408
Customer Loyalty	0.207	0.081

4.3.5 **O-square**

2018).

Q-Square value can be used to determine the ability of the model to predict relationships between variables. From the results of the R-square test in Table 6 we can calculate the value of Q-Square using R-Square as follows.

$$Q^{2} = 1 - (1 - R_{1}^{2}) (1 - R_{2}^{2}) \dots (1 - R_{n}^{2})$$

$$Q^{2} = 1 - (1 - 0.469) (1 - 0.207) = 0.579$$
(1)

From the results of the calculation of Q Square, it can be seen that the magnitude of the diversity of research data that can be explained by the structural model is 57.9%. This shows that the structural model of research has been able to map 57.9% of actual conditions and there are 42.1% factors outside this study that can be included in research to create equations that can map actual conditions and need to be explored again. Based on these results, the structural model in this study can be said to have good predictive relevance, because the Q-square value has exceeded 0 (Jaya et al.

After conducting the inner model test above, the value of goodness of fit can be determined by calculating the AVE value and the R-Square value with the following calculation.

$$GOF = \sqrt{\overline{AVE} \times \overline{R^2}} \sqrt{\overline{AVE} \times \overline{R^2}}$$
(3)

$$GOF = \sqrt{0.666 \times 0.338} = 0.\sqrt{0.666 \times 0.338} = 0.474$$

From the results above, we can know that this research model can be said to be robust or has a strong fit model value because it shows a score of more than 0.38.

4.3.6 Hypothesis

The significance value can be seen through the t-statistic and p-value. A relationship between variables is said to be significant when the t-statistic value of each indicator is greater than t-table, and the p-value of all indicators is below 0.05 (Henseler et al. 2009). Because this study uses a significance level of 0.05 and a sample of 31 studies, the t-table

(2)

value is 2.039. If a value indicates a significant number, it can be said that the test results of the relationship can be trusted.

Based on the results of the hypothesis test in Table 7, of the seven research hypotheses, only one can be accepted because it has a positive and significant path coefficient, and six of the research hypotheses are rejected because they have a significance level of more than 0.05.

Based on the results of the analysis that has been done, the formulation of this research problem has been answered. The analysis shows that there is a positive and significant relationship between product quality and customer satisfaction, which means that product quality has a significant effect on customer satisfaction. While other hypotheses are rejected and have no influence with each other.

Relationship	Path Coefficient	T Statistics	P Values	Hypothesis
Relational Benefits → Customer Satisfaction	0.154	0.689	0.492	Rejected
Relational Benefits → Customer Loyalty	0.252	0.923	0.358	Rejected
Service Quality → Customer Satisfaction	0.186	0.688	0.493	Rejected
Service Quality → Customer Loyalty	-0.020	0.080	0.936	Rejected
Product Quality → Customer Satisfaction	0.565	2.341	0.021	Accepted
Product Quality → Customer Loyalty	0.152	0.626	0.533	Rejected
Customer Satisfaction → Customer Loyalty	0.232	0.891	0.375	Rejected

Table 7. Hypothesis test results.

This is also supported by the company which says that plastic sack is a supporting material or packaging material of a company and indeed the timeliness is very calculated, but not with the quality of service, if the quality of service is improved not necessarily the customer will be loyal or satisfied with the company because most customers of PT Rosella Baru are more concerned with product quality than service and because service costs are charged to the customer, it can be used by companies to improve product quality, which makes service not important in the eyes of customers. And with improved product quality, of course, customers will be satisfied and even loyal to the company.

5. Conclusions

Based on the analysis and discussion that has been carried out, it can be concluded that relational benefits and service quality do not affect satisfaction or customer loyalty, for product quality variables have a significant positive effect on customer satisfaction but do not affect customer loyalty. In this study also concluded that customer satisfaction has no effect on customer loyalty. This is possible due to factors outside of loyalty itself, such as forced situations that cause customers to buy products in the company because no other company sells similar products or customers buy products on a need basis.

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