



ECONOMIC ANNALS-XXI

ISSN 1728-6239 (Online)
ISSN 1728-6220 (Print)
<https://doi.org/10.21003/ea>
<http://ea21journal.world>

Volume 204 Issue (7-8)'2023

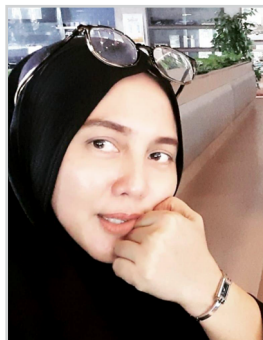
Citation information:

Ahidin, U., Suryani, W., Sudarso, A., Lenggogeni, & Tondo, A. (2023). Customer satisfaction model and its impact on customer loyalty on the example of automotive companies. *Economic Annals-XXI*, 204(7-8), 27-32. doi: <https://doi.org/10.21003/ea.V204-04>



Udin Ahidin

MA (Economics), Post Graduate Program,
Department of Management,
Faculty of Economics and Business,
Pamulang University (Universitas Pamulang)
Jl. Surya Kencana No. 1, Pamulang Bar., Kec.
Pamulang, Kota Tangerang Selatan, Banten
15417, Indonesia
dosen00406@unpam.ac.id
ORCID ID:
<https://orcid.org/0009-0008-3742-8525>



Wan Suryani

PhD (Management),
Department of Management,
Faculty of Economics and Business,
Medan Area University (Universitas Medan Area)
Jl. Kolam No. 1 Medan Estate, Provinsi Sumatera
Utara, 20223, Indonesia
wansuryani77@yahoo.com
ORCID ID:
<https://orcid.org/0000-0003-4353-1947>



Andriasan Sudarso

PhD (Management),
Department of Management,
Faculty of Economics and Business,
IBBI University (Universitas IBBI)
Jl. Sei Deli No.18, Silalás, Kec. Medan Bar., Kota
Medan, Sumatera Utara 20114, Indonesia
andriasans@gmail.com
ORCID ID:
<https://orcid.org/0000-0002-6367-9634>



Lenggogeni

PhD (Accounting),
Department of Management, Faculty of Economics and Business,
Trisakti University (Universitas Trisakti)
Jl. Letjen S. Parman No.1 Kampus A, RT.6/RW.16, Grogol, Kec. Grogol petamburan,
Kota Jakarta Barat, Daerah Khusus Ibukota Jakarta 11440, Indonesia
lenggo67@gmail.com
ORCID ID: <https://orcid.org/0000-0002-7175-6353>

Antho Tondo
PhD (Management),
Department of Management, Faculty of Economics and Business,
Swiss German University (Universitas Swiss German)
The Prominence Tower Alam Sutera, Jl. Jalur Sutera Bar. No.Kav 15, RT.003/RW.006,
Panunggan Tim., Kec. Pinang, Kota Tangerang, Banten 15143, Indonesia
anthon.tondo@gmail.com
ORCID ID: <https://orcid.org/0009-0004-0804-7310>



Customer satisfaction model and its impact on customer loyalty on the example of automotive companies

Abstract. Our research is devoted to the automotive companies of Indonesia. Analyzing six factors is the focus of this research when it comes to automotive companies in Jakarta: Product, Price, Promotion, Customer Satisfaction, Customer Loyalty, and the Influence of Products, Prices, and Promotions on Customer Satisfaction and their potential impact on Customer Loyalty. Prowling through the automotive company scene of Jakarta (including Pelumas Pikoli, PT Swap Energi Indonesia, Maruti Suzuki, and Otoklix) we deployed a descriptive and explanatory survey. Our sample comprised a random gathering of 172 customers of the automotive companies in Jakarta during 2021-2022, whom we rigorously examined. The kind of inquiry we made entails judging the causality of the situation. Our findings report an overall positive outlook towards the automotive companies located in Jakarta. Remarkably, the products, promotions, and prices exceeded benchmark standards. Additionally, our investigations reveal a high level of contentment with the customer experience in automotive company restaurants. Finally, clutching onto swift loyalties, the customers have cemented great relationships with the automotive companies in Jakarta. They should aim to maintain consistency in their product range, pricing and promotional offers to ensure customer satisfaction. This will, in turn, foster customer loyalty, which is vital for the success of these businesses. Specifically, promotional offers have a significant impact on customer satisfaction and must be carefully managed to ensure strong and lasting satisfaction. Overall, automotive companies in Jakarta should focus on creating strong and unwavering customer satisfaction to remain competitive in their market.

Keywords: Automotive Companies; Product; Price; Promotion; Customer Satisfaction; Customer Loyalty

JEL Classifications: E24; E41; E64; I18; J28; J31

Acknowledgements and Funding: The authors received no direct funding for this research. The automotive market has been selected for the research purposes only. There is no personal engagement of the authors with the subjects under study.

Contribution: The authors contributed equally to this work.

Data Availability Statement: The dataset is available from the authors upon request.

DOI: <https://doi.org/10.21003/ea.V204-04>

1. Introduction

Consumer satisfaction has become an essential goal for businesses, as competition in the rapidly advancing business environment is intensifying. To keep up with customer desires and exceed their expectations, companies must focus not only on acquisition but also on nurturing long-term relationships with existing consumers. According to Tjiptono (2007), customer satisfaction is one of the central concepts in marketing theory and practice. It is defined as the emotional state of an individual after comparing actual experience with their expectations. The marketing mix in the field of service can be broken down into seven elements, as Gunawan (2022) noted. These are product, price, place, promotion, people, physical evidence, and process. The 4P concept that we typically associate with service marketing is incomplete, as service products require the addition of three more P's in order to make up a comprehensive marketing mix.

According to a spokesperson for the Ministry of Industry in Indonesia, as reported on January 13th, 2015 in Antara news, Indonesia has more than 20 factories and plants for lubricants or Lube Oil Blending Plants (<https://www.edl.poerner.de>, Shariati et al., 2013). These facilities have a combined annual capacity of 1.8 million KL (kilo liters) for domestic production and imports. However, the local market potential is only 850 thousand KL per year. This means that there is currently an overcapacity of 47%. Naturally, this presents opportunities for exports. However, the main question is whether Indonesia can compete with its foreign competitors in price.

In Jakarta, automotive companies are facing a highly competitive lubricant business landscape. This industry has become increasingly lucrative in recent years, with new manufacturing companies popping up frequently. These businesses aim to differentiate themselves through their products' quality and the services they offer. To stand out, automotive companies must develop strategies that create a service marketing mix that ultimately pleases customers. With so much at stake, it's crucial that these companies take the right steps to ensure customers are satisfied with their offerings.

One of the key elements to build loyalty is customer satisfaction. In line with the definition by Kotler & Gary (2009), customer satisfaction refers to an individual's contentment or discontentment based on a comparison between their anticipation and the perceived outcome or item (Peres et al., 2023; Jamalpour & Verma, 2022). It can be concluded that customer satisfaction is gained over time, as customers repeatedly utilize goods or services, and each interaction contributes to their level of satisfaction. Due to the accumulation of results, the element of time plays a crucial role in ensuring customer satisfaction. This time accumulation involves a long-term process that customers who are satisfied have found themselves repeatedly engaged in; purchasing goods being one of the factors.

As indicated by Chan (2003), utilizing the 4P marketing mix model is becoming more popular in the retail industry for international markets. This model incorporates various aspects such as product design, competitive pricing, cultural adaptability in advertising, and store displays that are appealing to customers. The implementation of this model is key in building customer loyalty. In Mayers et al. (2002) study, they discovered that a connection existed between price and goods modification. However, research conducted by Kenesei and Todd (2003) made it evident that shoppers prioritize price over promotional deals and so this becomes their primary consideration. Theodosiou and Katsikeas (2001) noted a correlation between adjustments made to distribution alongside price corrections, and between promotion changes alongside those made to price.

Researchers Krndžija and Pilav-Velic (2022) delve into the causes of customer disloyalty with regards to the factors above. They aim to study the Influence of Products, Prices and Promotions

on Customer Satisfaction and the Implications for Customer Loyalty through their research entitled «Innovative behavior of Small and Medium Enterprises: A comprehensive bibliometric analysis» (2022).

Amidst the process of procuring goods, multiple parties frequently play a role in the exchange or purchase transaction (see Figure 1). It is imperative for marketers to identify the individuals involved in such decisions and their respective functions. The decision-making process should not be deemed mandatory for the consumer if there exist no other options. An absence of choice results in a «Hobson’s choice» scenario.

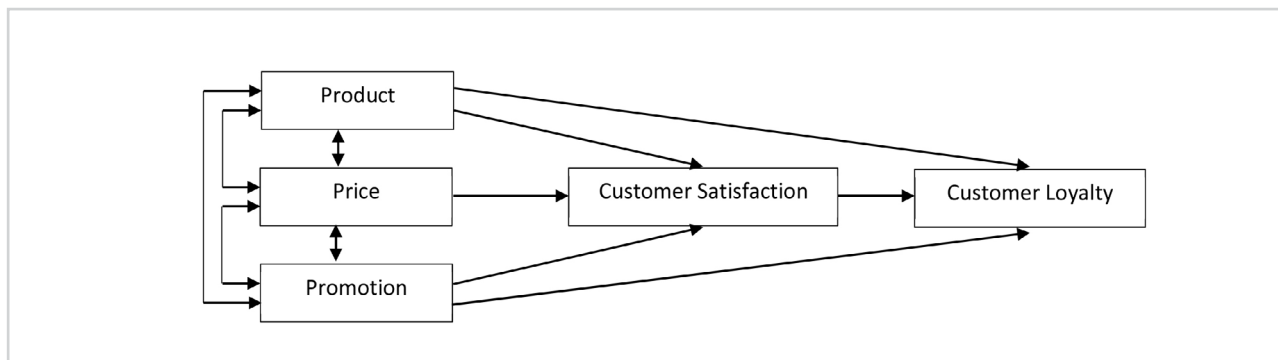


Figure 1:
Theoretical Framework
Source: Authors’ own research

2. Methodology

Using a quantitative research methodology with an explanatory approach, this study aims to analyze and understand the views of customers residing in the city of Jakarta. A sample of 172 individuals during 2021-2022, was collected from different automotive companies in Jakarta, based on the established rule of thumb for statistical analysis. Data was gathered via the use of questionnaires and measured using a Likert scale. The Structural Equation Model (SEM) under the Partial Least Square (PLS) approach was used for data analysis. The following hypotheses were formulated for the research as stated in Table 1.

Table 1:
Research Hypothesis

No.	Hypothesis
H1	Product has a direct impact on customer satisfaction levels
H2	Price has a direct influence on the contentment of consumers
H3	Promotion has an undeniable impact on customer satisfaction
H4	Product has a direct impact on customer loyalty
H5	In a direct manner, the price affects the customer loyalty
H6	Direct impact on Customer Loyalty can be achieved through promotion associated
H7	Something that holds direct influence on Customer Loyalty is Satisfaction
H8	The product's influence on customer loyalty cannot be denied, as demonstrated through high levels of customer satisfaction
H9	The cost is directly affecting the level of brand loyalty and Consumer Happiness
H10	Customer loyalty is nurtured by promotion, which have a direct impact on customer satisfaction

Source: Authors’ own research

3. Results

3.1. Validity and Reliability

Using the Wrap-PLS program to process data, Table 2 confirms that the questionnaire employed in the study is a valid representation of the variables Product, Price, Promotion, Customer Satisfaction and Customer Loyalty. Evidently, each variable value has a factor loading greater than 0.50, thus demonstrating convergent validity.

In the presented chart, one can observe that the Discriminant Validity has been satisfied since the Average Variance Extracted (AVE) value surpasses 0.50. Moreover, the variables depicted above present that the questionnaire items are dependable for further analysis as the composite reliability (CR) has gone beyond 0.70.

Table 2:
Outer Model Evaluation

Variables	Sub-Variables	Cross Loading	CR	AVE	Critical Value
Product	Pr1	0.805	0.885	0.793	1.0000
	Pr2	0.790	0.923	0.858	1.0000
	Pr3	0.842	0.828	0.706	1.0000
Price	Pri1	0.796	0.930	0.869	1.0000
	Pri2	0.854	0.894	0.809	1.0000
	Pri3	0.745	0.866	0.763	1.0000
Promotion	Pro1	0.693	0.785	0.646	1.0000
	Pro2	0.797	0.885	0.793	1.0000
	Pro3	0.745	0.866	0.763	1.0000
Customer Satisfaction	CS1	0.682	0.943	0.891	1.0000
	CS2	0.770	0.831	0.710	1.0000
	CS3	0.745	0.866	0.763	1.0000
	CS4	0.693	0.785	0.646	1.0000
Customer Loyalty	CL1	0.797	0.885	0.793	1.0000
	CL2	0.842	0.828	0.706	1.0000
	CL3	0.796	0.930	0.869	1.0000
	CL4	0.854	0.894	0.809	1.0000

Source: Authors' own research

3.2. Hypothesis Testing

For the testing the hypothesis the impact of the variables (Product, Customer Satisfaction, Price, and Customer Loyalty) are evaluated in Table 3.

By examining Table 3, we can observe that H1 has a profound impact as reflected by its *t*-test value of 8.119 surpassing the *t*-table value of 1.99. The same can be said for H2, whose *t*-test value of 9.136 exceeds the *t*-table value of 1.99. H3 also displays a substantial impact with a *t*-test value of 16.127 which surpasses the *t*-table value of 1.99. Therefore, all three variables demonstrate a significant influence on the study. Impacts from factors H4, H5, H6, and H7 show significant changes, indicated by *t*-test values of 8.119, 9.136, 16.127, and 8.119, respectively. All values are greater than the *t*-table value of 1.99, indicating an influential effect.

The customer loyalty of a product can be influenced indirectly through customer satisfaction, as displayed in Table 4. The coefficient for this indirect effect has been measured at 0.392832. As for the influence of pricing on customer loyalty, a similar trend was observed in Table 4, with a coefficient of 0.552636. Through Table 4, it becomes apparent that the customer loyalty is impacted indirectly through the customer satisfaction as a result of the promotion. A coefficient of 0.528642 reflects this indirect effect.

Table 3:
Direct Impact

Hypothesis	Impact	Path Coefficients	t-test	Result
H1	Product ->> Customer Satisfaction	0.528	8.119	Significant
H2	Price ->> Customer Satisfaction	0.714	9.136	Significant
H3	Promotion ->> Customer Satisfaction	0.683	16.127	Significant
H4	Product ->> Customer Loyalty	0.528	8.119	Significant
H5	Price ->> Customer Loyalty	0.714	9.136	Significant
H6	Promotion ->> Customer Loyalty	0.683	16.127	Significant
H7	Customer Satisfaction ->> Customer Loyalty	0.774	8.119	Significant

Source: Authors' own research

Table 4:
Indirect Impact

Hypothesis	Variable	Impact	
		Direct	Indirect
H8	Product ->> Customer Satisfaction ->> Customer Loyalty	0.528	0.528 X 0.774 = 0.392832
H9	Price ->> Customer Satisfaction ->> Customer Loyalty	0.714	0.714 x 0.774 = 0.552636
H10	Promotion ->> Customer Satisfaction ->> Customer Loyalty	0.683	0.683 x 0.774 = 0.528642

Source: Authors' own research

4. Discussion

H1: Product has a direct influence on the Customer Satisfaction

According to the findings presented above, the impact of the product on customer satisfaction is apparent with a 22.7% direct contribution which is supported by a *t*-count coefficient of 3.504. Additionally, variables such as prices and promotions indirectly contribute to customer

satisfaction by 6.4%. Overall, the product has a substantial effect on customer satisfaction with a rate of 29.17%. Therefore, it is safe to say that enhancing product factors is crucial in elevating customer satisfaction levels.

H2: Price has a direct influence on the Customer Satisfaction

The data presented reveals that the impact of Price on Customer Satisfaction is significant, directly accounting for 14.5% of the variation with a *t*-count coefficient of 2.455, surpassing the *t*-table value at the significance level of $\alpha(0.05) = 0.000$. Price also has an indirect impact on customer satisfaction through the Product and Promotion variables, contributing 6.69% to the overall score. The total contribution of price to overall customer satisfaction is 21.19% which strongly indicates that price plays a significant role in shaping customer satisfaction.

H3: Promotion has a direct influence on the Customer Satisfaction

With a *t*-count coefficient of 2.017, Promotion is seen to directly contribute 37.21% to Customer Satisfaction based on the above results. Meanwhile, the contribution of Product and Price variables through the indirect influence of Promotion is calculated to be 3.03%, and the *t*-table value at the significance level $\alpha(0.05) = 0.049$. Promotion's direct impact on Customer Satisfaction can thus be concluded to be significant, as shown by the positive value in the path coefficient. On the other hand, Location's contribution to Customer Satisfaction stands at 40.24%.

H4: Product has a direct influence on the Customer Loyalty

The survey results reveal that Pikoli lubricant is effective in making the engine smoother and lengthening its service life, as agreed by a large percentage of respondents at 62.50% and 37.50%. This shows that Pikoli lubricant's quality is impressive. However, when it comes to the packaging of Pikoli lubricant products, there is a notable number of respondents, at 26.78%, who disagree with its value components. This finding is concerning because, if component value 3 was shifted to the left, the percentage of disagreement would increase, which means that updating the packaging is necessary.

H5: Price has a direct influence on the Customer Loyalty

Consumer loyalty is directly affected by the price according to the results of the research conducted. Although some may argue that the price of Pikoli is affordable (<https://www.tokopedia.com/pikolilubricant>), those who strongly disagree make up 0.98% and 16.18%, respectively. This leaves a total of 58.58% who do not agree with the affordability of Pikoli lubricant, so a revision of its price is needed for the automotive company management. However, when the price aligns with the quality, it is aided by the presence of appropriate pricing.

H6: Promotion has a direct influence on the Customer Loyalty

Consumer loyalty can be directly influenced by promotions according to the aforementioned research findings. The prominence of Pikoli lubricants is highly attributed to its promotional methods through various media channels such as magazines, TV and the internet. However, though the brand's presence via these mediums is widely accepted, there are still a few who object to it (with a disagreement value of 0.98%). Similarly, advertising through print and electronic media is also held in high regard by some but not by all, resulting in a non-optimal agreement level. In contrast, Pikoli Lubricants consistently offer nearly the same discount rate on their products, which is perceived positively by most but there is still a 7.06% dissension rate.

H7: Customer Satisfaction has a direct influence on the Customer Loyalty

Customer loyalty appears to be influenced by customer satisfaction, as the test results indicate that 46.3% of the influence comes from this factor, while the remaining 53.7% is attributed to other factors. This points to a significant connection between satisfaction and loyalty. Clearly, boosting customer satisfaction can go a long way in cultivating customer loyalty.

5. Conclusions

1. Having a good final score as an overall indicator, it is apparent that the products being offered by automotive companies in Jakarta are of high quality. This explains the ability of Jakarta-based automotive companies to provide customers with top-notch products.

2. In Jakarta, it is apparent that automotive companies are offering competitive prices based on the high final score of the overall indicator. This score reflects the ability of these companies to offer prices that align with the quality of their products.
3. In Jakarta, the automotive firms are adept at executing promotions that yield favorable results. The indication of this success is evident from the desirable final score.
4. In Jakarta, customers express contentment with the services provided. One can observe this based on the satisfactory performance of indicators such as the physical infrastructure, dependability, responsiveness, service guarantee, and empathy.
5. Good customer loyalty exists at automotive companies in Jakarta, as indicated by satisfactory scores. Thus, this condition clarifies that consumers of automotive companies in Jakarta are content and committed.
6. Providing automotive products in line with the prices and promotions offered in Jakarta has an effect on customer loyalty and satisfaction. Thus, there is a correlation between the company's products, prices, and promotions and the customers' loyalty and satisfaction.

Reference

1. Chan, S. (2003). Relationship Marketing: Marketing Innovations That Bring Customers to Their Knees. Second printing. Jakarta: Gramedia Pustaka Utama Publisher.
2. EDL Anlagenbau Gesellschaft. (2023). Official web-site. <https://www.edl.poerner.de>
3. Gunawan, I. (2022). Customer Loyalty: The Effect Customer Satisfaction, Experiential Marketing and Product Quality. KINERJA: Jurnal Manajemen Organisasi dan Industri, 1(1), 35-50. <https://jurnalpustek.org/index.php/kjmb/article/view/6/5>
4. Jamalpour, H., & Verma, A. (2022). Introduction to Psychoanalysis. In H., Jamalpour, & A. Verma, (Eds.), A New Perspective on Linguistics and Psychoanalysis. Rose Publication PTY LTD, Melbourne, Australia. https://www.researchgate.net/publication/364997007_Introduction_to_Psychoanalysis
5. Kenesei, Z., & Todd, S. (2003). The Use of Price in the Purchase Decision. Journal of Empirical Generalizations in Marketing Science, 8(1), 1-21. University of Otagoo. <https://www.empgens.com/article/the-use-of-price-in-the-purchase-decision>
6. Kotler, P., & Gary, A. (2009). Principles of Marketing (7th Edition). Englewood Cliffs. New Jersey: Prentice Hal Inc.
7. Krndžija, L., & Pilav-Velic, A. (2022). Innovative behavior of Small and Medium Enterprises: A comprehensive bibliometric analysis. International Journal of Industrial Engineering and Management, 13(3), 158-171. <https://doi.org/10.24867/IJIEM-2022-3-309>
8. Mayers, M. B., Cavusgil, S. T., & Diamantopoulos, A. (2002). Antecedents and Action of Export Pricing Strategy: A Conceptual Framework and Research Proportions. European Journal of Marketing, 36(1-2), 159-188. <https://doi.org/10.1108/03090560210412746>
9. Peres, A. R., Riccio, E. L., & Laurindo, F. J. B. (2022). Management Implications for HR Analytics in Light of Systems Theory. Brazilian Journal of Education, Technology and Society, 16(2), 307-329. <https://doi.org/10.14571/brajets.v16.n2.307-329>
10. Theodosiou, M., & Katsikeas, C. S. (2001). Factors Influencing the Degree of International Pricing Strategy Standardization of Multinational Corporations. Journal of International Marketing, 9(3), 1-18. <https://doi.org/10.1509/jimk.9.3.1.19928>
11. Tjiptono, F. (2007). Services Marketing (1st Edition). Third Printing. Malang: Bayumedia Publishing.
12. Tokopedia. (2023). Online store official web-site. <https://www.tokopedia.com/pikolilubricant>

Received 24.04.2023

Received in revised form 22.05.2023

Accepted 26.05.2023

Available online 27.08.2023