

SERVICE QUALITY AS KEY FACTOR IN REVITALIZING TRADITIONAL MARKETS THROUGH LOYALTY

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Abstract: *The growth of modern markets in Medan has been very rapid. Nowadays, almost every region, even each of the main streets in the city of Medan has a small supermarket modern market as Indomaret and Alfamart. People are starting to switch to the modern market for services more enjoyable supported by physical evidence convenient services when compared with the modern market. The traditional market is the economic backbone of society and should be preserved. Efforts to do is to revitalize the market, the key to quality of service. Revitalization will be achieved if people become loyal to the traditional market. This study evaluates the factors that shape customer loyalty traditional markets. The study was conducted in four major traditional markets in Medan with a sample of 250 people. The data collection is done by using a questionnaire. Data were analyzed using structural equation analysis. The results of the study indicate that the location is not a significant factor in improving customer satisfaction and loyalty traditional markets. The main factors that should be improved is the quality of service. Improved service quality can significantly improve satisfaction, and customer loyalty. In addition, satisfaction plays a role as a mediator in effect between service quality with customer loyalty.*

Keywords: *Quality of Service, Location Market, Customer Satisfaction, Customer Loyalty, and Market Revitalization.*

1. INTRODUCTION

The market is a meeting place between buyers and sellers, meeting requests with offers, where the balance of price and trade transactions. Ideally, at the going market price balance the trade-off between buyers and sellers to price the deal happen. This situation is what characterizes the traditional market. The times have shifted the market mechanism that gave birth to the modern market. In the modern market, no longer occur bargaining interaction between buyers and sellers in determining the price. Sellers typically include a price tag on every product it sells with fixed prices, can not be compromised by the consumer. Until now, the traditional markets continue to operate despite the growth and popularity in the

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bottom of the modern markets such as supermarkets. Incessant growth of small supermarkets like Indomaret, Alfamart, and Alfamidi coupled with large supermarkets such as Irian, Carrefour and Giant making traditional market growth is inhibited. In fact, the traditional markets are the economic backbone of society in general. Not all communities are able to market their products through self-supermarkets that have the criteria of product quality standards. Without the traditional market, the people who produce everyday products are losing market to market its products.

The modern market offers a service that is generally better than the traditional market. In terms of tangibility of the market, for example, is identical to the traditional market situation muddy, dirty, smells even not well organized. On the other hand, set the modern market its products with a neat, clean, beautiful, even with support equipment such as air-conditioning. This bid is what makes modern market competitiveness becomes higher than the traditional market, especially among young people who are not familiar with either the traditional markets.

Nielsen (2004) in his research revealed that the growth of the modern market in Indonesia until the year reached 31.4% per year. This figure is much higher than traditional market growth moving in point 8% per year. If this situation is left unchecked, one day traditional market will disappear from public life, regardless of the benefits that it provides to the community, especially the small traders. In Medan alone, there are 50 traditional markets accounted for more than 37ribu head of the family. If the traditional markets disappeared, more than 37ribu heads of households coupled with a workforce that brought trouble.

Activation key in the back of traditional markets is loyalty. Kotler and Keller (2012) states that consumers who are satisfied will do three things,

1. repurchase is to make repeat purchases in traditional markets;
2. retain, by not switching to modern shops are starting to grow in the region; and
3. recommendation, invite others to shop at traditional markets.

These three indicators loyalty plays an important role in spreading traditional markets function in society. To achieve the loyalty itself, is closely related to consumer satisfaction. Satisfaction with regard to the expectations and the reality of customer perceived (Dessler, 2011). Consumers who are satisfied will tend to give birth to loyalty. Service satisfaction is the result of the evaluation of the quality of the service itself. Therefore, it is important to understand the quality of service provided by the traditional market. Location selection down to discuss important reference in customer satisfaction and loyalty.

2. PROBLEM FORMULATION

Based on the background of the issue, the focus of this research is to create customer satisfaction and loyalty traditional markets. Specifically, the problem in this research are:

1. How does the quality of service to customer satisfaction and loyalty?
2. How does the location of the market towards customer satisfaction and loyalty?
3. How does the influence of satisfaction on customer loyalty?

2. LITERATURE REVIEW

2.1 Customer Loyalty

The situation of intense competition has led companies difficult to increase the number of customers. Therefore, a better alternative is to make efforts to maintain existing markets. One is through efforts to increase customer loyalty, (Suryani, 2008). Evaluation of customer loyalty can be seen from the customer's behavior after the consumption of the service itself. Behaviors that indicate a loyal customer, according to Kotler and Keller (2012) are

1. Repurchase, which is to buy back;
2. Retain, not easily switch to other products; and
3. Recommend, invite other people to buy the product.

2.2 Customer Satisfaction

Tjiptono (2006) say that customer dissatisfaction is caused by internal factors and external factors. Internal factors are relatively controlled companies, for example, employees were rude, late for work, fault recording transactions. Conversely, external factors beyond the company's control, such as weather, disruptions in public infrastructure, criminal activity, and personal problems of customers. In connection with the foregoing, customer satisfaction is also strongly influenced by the level of service.

2.3 Quality of Service

Quality of care and focus on efforts to comply with the wishes of customers, as well as the accuracy of delivery to offset the customer's expectations. Customer expectations can be of three types. The first will expectation, that level of performance predicted or estimated consumers would receive, based on all the information he knows. Secondly, should the expectation, that the level of performance that is considered acceptable to consumers is appropriate. Third, the ideal expectation that the optimum level of performance or the best expected to be acceptable to consumers.

Parasuraman *et. al.* (1988) as well as Tjiptono (2006) provides the basic concepts in evaluating the quality of services delivered by service providers, namely:

1. Reliability, namely the ability to provide the services promised with accurate and always consistent with consumer expectations.
2. Responsiveness, ie the ability of the staff to help and respond to customer requests quickly and swiftly
3. Assurance, ie assurance of service provided, includes the knowledge, competencies, products, as well as things to avoid risks for customers
4. Empathy, the ability of service providers to position itself in the viewpoint of the consumer, the consumer would understand, build relationships and good communication in addressing the needs of individuals.
5. Tangibility, the physical evidence of the facilities used in delivering services.

2.4 Market Location

Lupiyoadi and Hamdani (2009) stated that the decision about the location and achievement system should be in line with the overall strategy of the institution. If the strategy is to offer a specialization of certain products in certain markets show the location is definitely necessary criteria for evaluation purposes. Location facilitate consumer market, must meet the following criteria:

1. The location is easy to reach the consumer market with public transport
2. The location is easy to find consumer market
3. Smooth traffic flow
4. The neighborhood around the market were comfortable
5. The neighborhood around the market safe

2.5 Conceptual Framework and Hypotheses

Quality of services provided by the market and traders in traditional markets will be perceived and evaluated by the market visitors. Expectations and experiences are perceived through the delivery of service quality would result from the market traders and satisfaction or dissatisfaction, depending on the expectations and experience felt. Therefore, the quality of service has a positive and significant impact on customer satisfaction. In addition, service delivery that will drive consumer loyalty behavior, depending on how good the service was perceived by visitors. Thus, the quality of service has a positive and significant impact on customer loyalty.

The location of traditional markets to enable consumers to reach out and find these traditional markets. Selection of convenient location, have access to the complete transport, not complicate crossing the street can be a key to improving customer satisfaction through a pleasant shopping experience. Thus, the location par has a positive and significant impact on customer satisfaction. Moreover, given the easiness that will make consumers loyal in the market, thus the location of the market has a positive and significant impact on customer loyalty. Consumers who are satisfied in services would make repeat purchases, and even invite others to shop at traditional markets. Thus, there is a unidirectional relationship between satisfaction and loyalty.

Customer satisfaction has a positive and significant impact on customer loyalty. Quality of service is divided into five main indicators, namely reliability, responsiveness, assurance, empathy, and tangibility. Location market judged on indicators relating to the performance of the choice of location of the market, which consists of five indicators. Satisfaction is divided into satisfaction with the services, products, and prices. Loyalty identified through three behavioral indicators that show loyalty, ie repurchase, retain, recommend. Thus, the conceptual framework proposed in the study is shown in Figure 1.

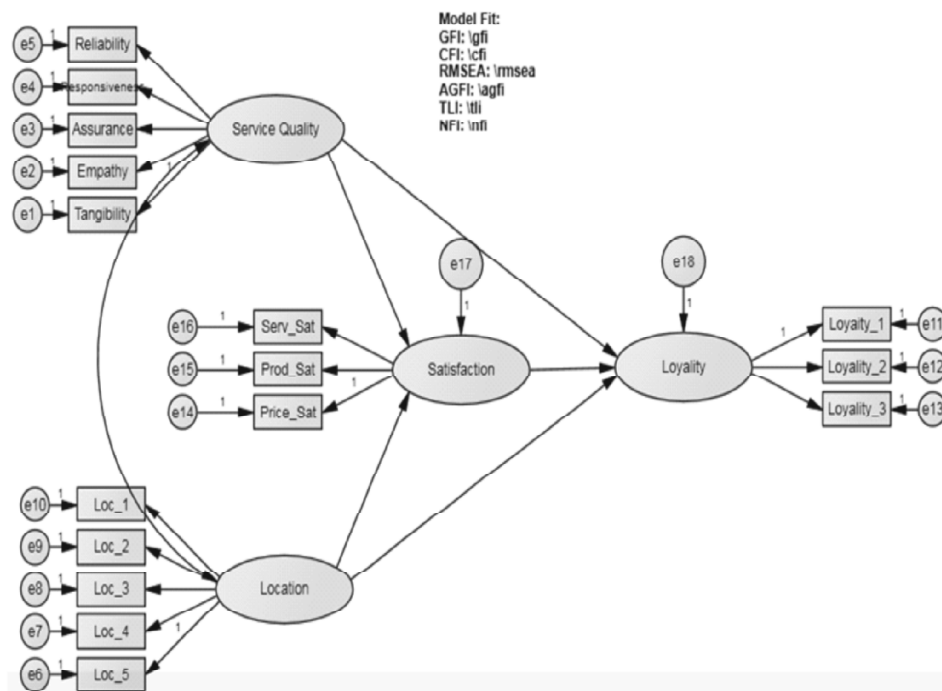


Figure 1: Conceptual Framework

3. RESEARCH METHODS

The study was conducted in major traditional markets in the city of Medan in the period June 2016 to September 2016. The market is traditionally used to represent all the traditional markets in the city of Medan is a traditional market Petisah, Medan Olimpia, Glugur and Pringgana with broad market area. The study was conducted using a sample of 250 visitors a traditional market shoppers in each of the markets within the scope of the study. If the adequacy of the sample can not be met, it will be withdrawn additional samples.

Data used in this study are primary data measured using a 5-point Likert scale. Likert scale is used to measure the perceptions of the respondents to the items of the statement filed related to research variables. Statement by using a structured questionnaire which is based on theoretical study. Validity and reliability of the instrument is tested before collecting field data. The data obtained were evaluated with statistical tools. Evaluation is done with structural equation models using AMOS.

4. RESULTS

In an effort to understanding visitor characteristics of traditional markets in the city of Medan, the evaluation of the characteristics of respondents do. Respondents in this study is the traditional market visitors who are shopping in the traditional market needs. Characteristics of respondents described based on gender, age range, income, transportation, and the distance from the residence to the market. Table 1 extend to the characteristics of respondents visitors traditional market research.

Table 1
General Characteristics of Respondents

<i>Classified</i>	<i>Sample</i>	<i>Percentage (%)</i>
<i>Gender</i>		
• Male	36	14.4
• Female	214	85.6
Total	250	100.00
<i>Age Range</i>		
• 20-29	28	11.20
• 30-39	34	13.60
• 40-49	68	27.20
• 50-59	84	33.60
• 60-69	34	13.60
• > 70	2	0.80
Total	250	100.00

<i>Monthly Income (IDR)</i>		
• < 2 Million	92	36.80
• 2 Million – 5 Million	142	56.80
• 5 Million – 8 Million	12	4.80
• > 8 Million	4	1.60
Total	250	100.00
<i>Transportation Method</i>		
• Public transportation	88	35.20
• Motorcycles	125	49.00
• Car	8	3.20
• On foot	25	11.00
• Bicycles	4	1.60
Total	250	100.00
<i>Domiciles</i>		
• < 2KM	88	35.20
• 2 KM – 5 KM	122	48.80
• 5 KM – 10KM	35	14.00
• > 10 KM	5	2.00
Total	250	100.00

Source: Data Processing Results (2016).

Table 1 provides information that, in general, visitors to the traditional market is the surrounding community with the distance < 5 KM, generally using a motorbike or public transport, income < £ 5 million, is in the range of age > 30 years, as well as female. Descriptive statistical analysis on each of the indicators the study are summarized in Table 2 below:

Table 2
Descriptive Statistic

<i>No. Statement</i>	<i>Average</i>	<i>Deviation Standard</i>
1. Traders in the traditional market setting prices in accordance with market prices	4.60	0.58
2. Traditional markets are always open according to the hours of operation	4.22	0.58
3. I want to buy goods that are available in this traditional market	4.12	0.62
4. The goods sold in traditional markets are the new stuff (fresh)	4.10	0.57
5. Traders in traditional markets have never deceived my shopping scales	3.91	0.73
Grand Mean Reliability	4.19	
6. Traders in traditional markets would want to be told even if it was outside beyond the purchase	4.52	0.58
7. Merchants were able to quickly serve my transaction	4.02	0.60
8. Trader-merchants eager to meet my request as a buyer	4.02	0.67

<i>No. Statement</i>	<i>Average</i>	<i>Deviation Standard</i>
9. Merchants want to respond to my complaint as a buyer	3.51	0.77
10. Merchants quickly cultivate my advice as a buyer	3.52	0.92
Grand Mean Responsiveness	3.92	
11. I feel secure on hygiene products in this market	3.90	1.02
12. I feel secure on merchant explanation about the products it sells	3.70	0.95
13. I feel assured of my products in accordance with what my message	3.98	0.55
14. I feel secure always comfortable while shopping in this market	3.39	0.72
15. I feel my security when shopping at this market is guaranteed	2.98	0.93
Grand Mean Assurance	3.59	
16. I feel traders focused on my needs, not just for profit	3.54	0.94
17. I welcome suggestions from merchants when selecting a product	3.79	0.64
18. I feel that the merchant never make me offended while shopping in this market	3.29	0.95
19. I see that the merchant is always steadfast in serving me as a buyer	3.63	0.80
20. I see that the merchant is always polite to me	3.57	0.60
Grand Mean Empathy	3.56	
21. The parking lot at traditional markets are adequate	2.30	1.30
22. Views market from the outside looks beautiful	1.98	0.98
23. The streets in the traditional market net	2.01	1.00
24. I feel the location of the stalls in this market has been regularly	2.12	0.95
25. Places of worship are conveniently available in this market	2.02	0.93
26. The public toilets in the traditional market is feasible to use	2.00	0.93
27. Security post in the traditional markets help security market	2.10	1.04
Grand Mean Tangibility	2.08	
28. The traditional market is easily accessible by public transport (e.g. public transportation)	4.50	0.53
29. I easily found the traditional markets while walking around the site	4.19	0.58
30. Traffic around the market always smoothly	3.88	1.04
31. The neighborhood around the market feels comfortable	3.43	0.88
32. The neighborhood around the market is a safe neighborhood	3.51	1.02
Grand Mean Location	3.90	

Sources: Data Processing Results (2016).

Table 2 provides information that at this time, the perception of respondents on the variables are generally quite good. Problems that should be raised is the problem of the dimension of service parts tangibility of service. Results of testing the goodness of fit index at the end of the model after the modification of the model are as follows:

Table 2
Goodness of Fit Index Model

<i>Criteria</i>	<i>Value</i>	<i>Conclusion</i>
Probability Chi-Square	0.053	Good
GFI	0.915	Good
CFI	0.975	Good
RMSEA	0.049	Good
AGFI	0.861	Marginal
TLI	0.965	Good
NFI	0.904	Good

Sources: Data Processing Results (2016).

Based on Table 2, the model in the study categorized good in explaining the influence between variables that occur. Two indicator locations were excluded from the research model because it does not meet the standards specified loading factor in the study. The standard used was 0.4 considering this study is to explore the interest of the quality of service in the traditional markets of Medan City which began to be forgotten and rarely noticed. Loading factor below 0.4 excluded because it is not able to explain the formation of latent variables.

Table 4
Regression Weight Estimate

<i>Hypothesis</i>	<i>Estimate</i>	<i>Standardized</i>	<i>S.E.</i>	<i>C.R.</i>	<i>P</i>	
<i>Result</i>						
Satisfaction <-- Service_Quality	.360	.324	.129	2.783	.005	Accepted
Satisfaction <-- Location	.094	.142	.077	1.231	.218	Rejected
Loyalty <-- Service_Quality	.294	.251	.133	2.207	.027	Accepted
Loyalty <-- Location	-.066	-.094	.077	-.859	.390	Rejected
Loyalty <-- Satisfaction	.234	.221	.107	2.178	.029	Accepted

Sources: Data Processing Results (2016).

Table 4 shows that the final model, the quality of service is positive and significant impact on customer satisfaction and loyalty. Hypotheses about the influence of the quality of service received. The location is not a significant effect on satisfaction and loyalty. Hypothesis on the effect of the location is rejected. Satisfaction positive and significant impact on customer loyalty. Thus, the hypothesis of customer satisfaction received.

5. DISCUSSION AND DISCUSSION

The findings in this study indicate that the quality of service is a very important factor in building customer satisfaction and loyalty. Good quality service will make customers satisfied and make them become loyal. Currently, the most robust quality of service capability of empathy described by traders to consumers (loading factor = 0.91). The next factor to consider is the consumer in the quality of service assurance, guarantee of services provided (loading factor = 0.65). The three-dimensional quality of other services are still not perceived by consumers (loading factor < 0.6), but still be able to explain the quality of the service itself. Factors that are difficult perceived in the current environment is the responsiveness of traders on the needs of consumers. Improving the quality of services in general will encourage increased satisfaction ($\beta = 0324$) as well as customer loyalty ($\beta = 0294$). If the traditional market is able to improve how that merchants were able to be responsive to customers, more certain and consistent in providing services, as well as to have more physical evidence convenient market, consumers will be happy to shop at traditional markets.

In the short term, where the revitalization of the market has not been implemented by overhauling the mechanism of merchants in general, which can be used in *stragetipeningkatak* is to increase the service quality of empathy for the customer, realizing what they needed and provide assurance that the products received in accordance with what is bought. By doing so, consumers will be more happy, feel more exciting experience that drives customer satisfaction and loyalty. Consumers will be more willing to invite others or return to the market if the service provided is very pleasant. The results support the research that states that the positive effect of service quality on customer loyalty (Hafeez, 2012; Ivanauskienė and Volungėnaitė, 2014; Nguyen *et. al.*, 2016). In addition, the influence of service quality to satisfaction also supports previous research (Hafeez, 2012; Rahman *et. al.*, 2012; Forsythe, 2015).

The location of the market, based on the study did not show a significant influence in shaping and satisfaction of customer loyalty. The strategic location though, does not make the consumers satisfied when shopping at traditional markets. These results are consistent with previous studies that the problem location makes consumers become loyal (Bitner, 1990; Ennew and Binks, 1996). A powerful factor is the quality of the service itself. Modification of the model results indicate that there are links between tangibility with the location. One form of the tangibility of the service is the availability of parking space. In this case, although the market is very strategic position, within easy reach of consumers, in the absence of adequate parking space will not make consumers be satisfied. This can be a concern in the future with regard to how to synergize between locations and service quality market.

In the absence of adequate parking space, the choice of location does not give satisfaction or customer loyalty. Customer satisfaction and significant positive effect on customer loyalty. This finding is consistent with research. This finding is consistent with research Omar and Sawmong (2007) which states that satisfaction will establish customer loyalty. Consumers who are satisfied traditional markets will be loyal to the traditional markets. Satisfaction role as mediating variables of service quality on customer loyalty. The mediating effect provide additional effect of 0072 (indirect effect) on the relationship. This further encourages efforts to improve the quality of services in generating customer loyalty. Satisfaction can be viewed from the side of services, pricing, and product. The composition of the three almost balanced, but the greatest role in shaping the perception of satisfaction from a consumer standpoint chronologically is the satisfaction of price, service, and products.

6. CONCLUSION

The key in reviving the traditional markets is to improve the service quality of traditional markets. Improved quality of service will increase loyalty, either directly or indirectly through customer satisfaction. The location, on the other hand does not show the effect on the revitalization of the market. Therefore, the focus should be done in the traditional market revitalization is through improved quality of service. The management of the market, along with government and academia have a role in helping to improve the quality of services performed by merchants as well as the traditional market itself. Therefore, in an effort to revitalize the market must be established synergy of the community in developing the quality of service.

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