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# The Effect of Differentiation and Service Quality Products on Customer Loyalty (Case Study in KFC Buaran Plaza)

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**Abstract:** The purpose of this study is to analyze the influence the differentiation of products and service quality on customer loyalty at KFC Buaran Plaza. Strategy research is associative. Research method used is the method of survey, conducted to obtain data from respondents using a questionnaire. The questionnaire used is closed, the intention is to have supplied a number of response options that have been specified value with Likert scale. In this study, the data used is primary data in the form of a questionnaire study consist of 88 respondents of the study population as many as 707 customers KFC Buaran Plaza, and the sampling technique used was purposive sampling. The data represents the average number of customers per month from January 2014 through the month of July 2014.

Based on the results of hypothesis testing, partially or simultaneously, showing differentiation of products and quality services significantly influence customer loyalty KFC Buaran Plaza.

(**Keyword:** Product Differentiation, Service Quality and Customer Loyalty)

## I. INTRODUCTION

### 1.1. Problem Research

Conditions of tight competition nowadays resulted in increasingly numerous and diverse products offered to the market. To deal with increasingly fierce competition in the era of globalization are needed reliable management and able to anticipate in any competition, so it can run a company effectively and efficiently and to achieve company goals. Number of options similar products allow consumers to easily purchase other products that are considered better. Thus, the company is not only required to develop the right product but also the quality of service was essential to retain customers in order not to move to a competitor,

because it is no wonder that companies that excel at present is a company that managed to satisfy even the delight of their targeted customers.

Through the implementation of a policy of product differentiation, the company can differentiate its products from competitors' products. Therefore the company should be able to compete in offering their products to be the best and different from their competitors' products.

Quality of service is also to be the most important thing to maintain customer loyalty so that customers do not switch to competitors' products. Good service will make customers feel valued and increasingly instill full confidence in the institutions that serve them.

Competitive climate in the fast food restaurant industry increasingly felt by the emergence of various fast food restaurants. The increased competition has led the business of fast food restaurants differentiate themselves against competitors. KFC (Kentucky Fried Chicken) is one of the fast-food restaurant chain which dominates the market share. The flagship product KFC, Colonel's Original Recipe and Hot & Crispy Chicken, remains the most delicious fried chicken, according to various surveys of consumers in Indonesia. It is understandable if KFC featured products of high quality was acceptable both in Indonesia, a country with chicken meat consumption is much higher than other types of meat. In addition to presenting their products, KFC also meet local consumer tastes by offering a menu of options such as fritters, Rice, Salad and Sweet Corn, as well as other products such as Crispy Strips, Twister, and Spaghetti, which was very well received by our markets. To give added value to consumers, the combination of saving and quality menu as KFC Attack and Super Heat always offered. In this study it is conducting research on customer segments in KFC Buaran, East Jakarta living near Buaran Plaza as a respondent, because the area is a region close to population centers and several schools, allowing some of them are customers of KFC in Buaran. The writer wanted to know which variable affects more customer loyalty between customer quality and product differentiation in the KFC Buaran.

Based on the description above, this study focuses more on product differentiation and quality of service to reveal how big influence on the level of customer loyalty in KFC Buaran, East Jakarta. Thus, based on the background of the authors raised the topic entitled "The Effect of product differentiation and service quality on customer loyalty in KFC Buaran, Jakarta Timur".

### **1.2. The study hypothesis**

Based on the theoretical framework of the above, it can be concluded the following hypotheses: Suspected significant difference between the differentiation of products and service quality on customer loyalty KFC Buaran East Jakarta.

### **1.3. Research purposes**

The purpose of this study was to measure and test the effect of product differentiation and service quality on customer loyalty in KFC Buaran East Jakarta.

## **II. LITERATURE REVIEW**

### **2.1. Product differentiation**

Definition of product differentiation in a simple, can be interpreted as a product differentiation with other products to be an alternative consumers to choose a product based on color, quality and price. Differentiation

of product or product differentiation is a strategy of enterprises to promote products produced by the company's products competitors. This strategy is utilized so that the company can avoid price c Product differentiation is the company's actions to set a range of significant differences in their products to differentiate the company's offering from its competitors offer, so it can be seen (perceived) consumer surplus target has a meaningful value.

Product differentiation can be distinguished:

Shape: The shape can differentiate by size, shape, or the physical structure of the product.

1. Features: Most products can be offered with various features, the characteristics that complement the basic functions of the product. Companies can identify and select the right new features with the latest buyer survey and then quantifies the customer with the company's costs for each potential feature.
2. Quality Conformity: Buyers expect products have high quality conformance, which is the level where production units are identical and meet the promised specific. Problems associated with the low quality of suitability is that the product will disappoint some buyers.
3. Reliability: Buyers typically pay more for products that are more reliable. Reliability is a measure of the probability that the product will not have to fail in a specific time period.
4. Style: Style describes the appearance and taste of the product to the buyer. The style is an advantage in creating petbedaan hard to imitate. On the downside, the strong force does not necessarily mean high performance. competition. The company lays the difference in product design, branding, packaging, flavor.

## **2.2. Service quality**

Quality of care as a measure of how good a given level of service capable of in line with expectations (expectations) customers. Based on this definition, the quality of service is determined by the ability of the company to meet the needs and desires of customers in accordance with customer expectations. In other words, the main factors affecting the quality of service is a service that customers expect (expected service) and perception of the service (perceived service).

In providing good service to customers, there are five determinants of service quality criteria as expressed by Parasuran, Zeithaml and Give (1988), the research found and successfully identified five key dimensions of service quality, namely:

1. Tangibles (physical evidence): With regard to physical appearance ensuite facilities, tools / equipment, human resources and corporate communications material.
2. Reliability (reliability): In connection with the company's ability to deliver services that are presented accurately.
3. With regard to the knowledge and courtesy of employees and their ability to foster trust and confidence of customers.
4. Empathy (Empathy): Means that companies understand the problems of the customers and acting on behalf of the customer, and provide personal attention to our customers convenient hours of operation.

5. Responsiveness (responsiveness): With regard to the willingness and ability of service providers to help customers and responding to their requests immediately.

### **2.3. Customer loyalty**

Loyalty is an emotional and not rational. Loyalty occurs when individuals interested in maintaining good relations that usually occurs because of the positive experiences that appear within a certain time.

Customer loyalty is customer commitment to a brand, stores and suppliers, based on the very positive attitude and is reflected in a positive repeat purchases.

Customer loyalty as customers who are satisfied with the products or services of the company and they become words of mouth advertiser enthusiastic, loyalty not only to the products and services of the company, but also keseluruhan portfolio of products and services of the company as part of a lifetime of loyalty to the brand forever ,

Customer loyalty can be generally defined as a person of loyalty on a product, goods and services. In addition, customers who have a strong commitment to be his loyalty will not be affected by the forms of marketing the products or services of other companies and will continue to choose products and services that they previously selected. Customer loyalty will be the key to success, not only in the short term, but a sustainable competitive advantage.

Customer loyalty has a commitment will be shopping for goods and would ignore the activities of competitors trying to attract customers.

Indicators of customer loyalty are:

- a) Repeat Purchase (loyalty in purchasing products)
- b) Retention (resistance to the negative effect on the company)
- c) Referalls (refer in total the company's existence) Loyalitas Pelanggan

## **III. RESEARCH PROCEDURE**

### **3.1. Location and Time Research**

The entire data collection activities conducted research on fast-food restaurant Kentucky Fried Chicken branch Buaran Buaran Plaza is located at Plaza, East Jakarta. All stages of research activities ranging from the preparation of proposals for research to final delivery of the research report estimated to take approximately three months of the month of May 2014 until July 2014.

### **3.2. Strategies and Methods**

#### ***3.2.1. The research strategy***

The strategy used in this study is an associative strategy, ie research which seeks to link two or more variables. Because according to the research objectives to be achieved is to know how closely the relationship between the independent variables with the dependent variable. The variables in question is product differentiation (X1) and Quality of Service (X2) with customer loyalty (Y).

### **3.2.2. The research method**

The research method used is survey, conducted to obtain data from respondents using a questionnaire, which includes research on the behavior of respondents to the level of performance and level of importance respondents to KFC service attributes. The questionnaire used is a closed, meaning it has provided a number of possible answers pre-determined value by Likert scale.

### **3.3. Population and Sample Research**

#### **3.3.1. Population Research**

The population in this study amounted to an average of 707 customers per month. The data represents the average number of subscribers per month from January 2014 until July 2014.

#### **3.3.2. Sample Research**

The samples studied are prospective respondents in the KFC branch Buaran Plaza when questionnaires were minimal own two (2) times to visit and make purchases of products. In conducting this research used purposive sampling method in which sampling based on certain considerations and make purchases of products considered to represent the population.

The number of research samples taken were as many as 88 respondents. This number is obtained by using the following formula sperti Slovin:

$$n = \frac{N}{1 + Ne^2}$$

Information:

n = The sample size

N = population size

e = leeway inaccuracy due to sampling error can be tolerated (10%).

So

$$n = \frac{707}{1 + (707 \times 10\%^2)}$$

$$n = \frac{707}{1 + (707 \times 0,01)}$$

$$n = \frac{707}{8,01} = 87,61 \text{ respondents}$$

## **IV. DISCUSSION**

### **4.1. Description of the Company**

PT. FASTFOOD INDONESIA Tbk. is the sole franchise of Kentucky Fried Chicken (KFC) for the whole of Indonesia, who founded KFC franchise in Indonesia. The Company was established after the

Group Gelael Group received permission to use the brand of the franchisor's KFC Yum! Restaurants International (YRI), a state- of Yum! Brands Inc., a public company in the United States who is also the franchisor four other prominent brands namely Pizza Hut, Taco Bell, A & W and Long John Silver. The first KFC restaurant opened on 18 October 1979 at Jalan Melawai Raya, Kebayoran Baru, South Jakarta.

In 1990 Salim Group became one of the major shareholders. And in 1993 the Company is registered as an issuer in the Indonesia Stock Exchange (BEI). The Company officially became public after the company obtained the approval of the Capital Market Supervisory Board, the Company accounted for stock traded on the Jakarta Stock Exchange. The majority shareholding of 79.6% currently distributed 43.8% to the PT. Primary Gelael of Gelael Group, and 35.8% to the PT. Magnificent Eraraharja of the Salim Group, while a minority share (20.4%) is distributed to the public and Cooperative Employees.

Until the end of 2010, the restaurant chain KFC restaurants have reached 398 with total sales of Rp. 2,159 billion. The Company continues melakukan network expansion in various city restaurants II level without ignoring the fierce competition in the provincial towns. The addition of new stores are focused on the opening of the flagship free standing which is equipped with facilities to meet the needs of consumers. Since 2008 the Company began to introduce the restaurant concept 'one-stop', complete with various facilities including, internet corner, self-service booth, and KFC Cafe Counter which is separate from the main counter KFC. The Company began to focus on restaurant-type 'free standing' untuk increase the visibility 'brand KFC, and facilitate consumer accessibility. One branch of the KFC restaurant located in the Greater Jakarta area is a KFC restaurant Buaran Plaza branch is founded in 2012 and located in Buaran Plaza, East Jakarta.

## 4.2. Description Data Research

Description of data is a statistical tool that describes the characteristics of the data used for research that includes the mean, median, standard deviation, the lowest and highest total score from each of the variables in the study.

### 4.2.1. Variable data Description Product Differentiation

**Table 4.1**  
**Descriptive statistics Product Differentiation (X1)**

| Descriptive Statistics | <i>N</i> | <i>Minimum</i> | <i>Maximum</i> | <i>Mean</i> | <i>Std. Deviation</i> |
|------------------------|----------|----------------|----------------|-------------|-----------------------|
| Diferensiasi Produk    | 88       | 15.00          | 24.00          | 18.7500     | 1.81469               |
| Valid N (listwise)     | 88       |                |                |             |                       |

Descriptive Data Product Differentiation (X1) obtained by filling up the questionnaire by 88 respondents. Data collected to produce the lowest score was 15 and the highest score is 24, the average score of 18.7500, 1.81469 means that the standard deviation of the average value of product differentiation (X1) has a good value because it is larger than the value of the standard deviation.

#### 4.2.2. Variable data Description Quality of Service (X2)

**Table 4.2**  
**Descriptive Statistics Variable Quality of Service (X2)**

| Descriptive Statistics | <i>N</i> | <i>Minimum</i> | <i>Maximum</i> | <i>Mean</i> | <i>Std. Deviation</i> |
|------------------------|----------|----------------|----------------|-------------|-----------------------|
| Kualitas Pelayanan     | 88       | 14.00          | 20.00          | 17.1023     | 1.53158               |
| Valid N (listwise)     | 88       |                |                |             |                       |

Data Services (X2) obtained by filling up the questionnaire by 88 respondents. Data collected to produce the lowest score was 14 and the highest score is 20, the average score of 17.1023, 1.53158 means that the standard deviation of the average value of Quality of Service (X2) has a good value because it is larger than the value of the standard deviation.

#### 4.2.3. Variable data Description Customer Loyalty (Y)

**Tabel 4.3**  
**Deskripsi Data Variabel Loyalitas Pelanggan(Y)**

| Descriptive Statistics | <i>N</i> | <i>Minimum</i> | <i>Maximum</i> | <i>Mean</i> | <i>Std. Deviation</i> |
|------------------------|----------|----------------|----------------|-------------|-----------------------|
| Loyalitas pelanggan    | 88       | 11.00          | 16.00          | 12.9659     | 1.21720               |
| Valid N (listwise)     | 88       |                |                |             |                       |

Descriptive Data Quality Services (Y) obtained by filling up the questionnaire by 88 respondents. Data collected to produce the lowest score was 11 and the highest score is 16, the average score of 12.9659, 1.21720 means that the standard deviation of the average value of Quality of Service (Y) has a good value because it is larger than the value of the standard deviation.

#### 4.2.4. Test Validity and reliability Instruments

##### 4.2.4.1 Validity Instruments

From the analysis of the validity of all items obtained correlation values between the scores of items with a total score.  $r$  table 0.210. Correlation values for each item that is above 0.210. The instrument on product differentiation, service quality customer loyalty is valid.

##### 4.2.4.2 Instrument reliability

From the analysis of the validity of the entire item, the value of alpha of 0.414. Product differentiation. While critical  $r$  value is smaller at 0.210 then declared unreliable. Quality of care is the alpha value of 0.457, while the critical  $r$  value is smaller at 0.210 then declared unreliable. Customer loyalty alpha value of 0.451, while the critical  $r$  value is smaller at 0.210 then declared unreliable. All instruments of this research is reliable.



### 4.3. Statistical Analysis Data

#### 4.3.1. Classical Assumption Test

Classical assumption test was conducted to obtain the results of the regression analysis is valid. This test is performed for multiple linear regression model can be termed as a good model if it meets the criteria of Best Linear Unbiased Estimator (BLUE), and BLUE can be achieved if they meet Classical Assumption Test. classical assumption that authors use the, test data normality, autocorrelation, multicollinearity test, and test heterodastisitas. Testing the classical assumption in this study using SPSS 19.0 for Windows and other support software.

##### 4.3.1.1 Normality Test Data

Testing normality of the data was conducted to analyze whether the terms of the regression equation have been met or not. How frequently are used in determining whether a model of normal distribution or not just by looking at whether the residual histogram has a shape like a bell or not. This is very serious because the decision-making normal distribution of data or not only berpatok on the image alone.

The most effective way to determine the normal distribution of data or not is by using the ratio of skewness and kurtosis ratio, the ratio can be used as clues to whether the data were normally distributed or not. As a guideline if the ratio of kurtosis and skewness is between -2 to +2, the data distribution is normal. The results of SPSS output to test for normality using the ratio of skewness and kurtosis ratio is as Follows.

**Table 4.4**  
**Normality Test Data**

**Descriptive Statistics**

|                         | <i>N</i><br><i>Statistic</i> | <i>Skewness</i><br><i>Statistic</i> | <i>Std. Error</i> | <i>Kurtosis</i><br><i>Statistic</i> | <i>Std. Error</i> |
|-------------------------|------------------------------|-------------------------------------|-------------------|-------------------------------------|-------------------|
| Unstandardized Residual | 88                           | .078                                | .257              | -.528                               | .508              |
| Valid N (listwise)      | 88                           |                                     |                   |                                     |                   |

Based on data from table 4.4 above shows that the ratio of skewness is  $0078/0257 = 0.3035$ , while the ratio of kurtosis is  $-.528 / 0508 = 1093$  Due to the ratio of skewness and kurtosis ratio is between -2 to +2, we conclude that the normal data distributions that requirement normality can be met.

To view a model of normal distribution or not can also be seen from the scatterplot below:

##### 4.3.1.2 Autocorrelation test

Autocorrelation test is intended to determine whether a linear regression model was no correlation between bullies error in period  $t$  to  $t$  keslahan-2 or earlier, in order to obtain the regression results are valid and can be used to test the hypothesis.

To determine or detect the presence or absence of autocorrelation, it can be tested Durbin Watson (D-W), while the results of SPSS output for this test is shown in the following table:



**Table 4.5**  
**Test of autocorrelation (Durbin Watson)**

**Model Summary<sup>b</sup>**

| <i>Model</i> | <i>R</i>          | <i>R Square</i> | <i>Adjusted R Square</i> | <i>Std. Error of the Estimate</i> | <i>Durbin-Watson</i> |
|--------------|-------------------|-----------------|--------------------------|-----------------------------------|----------------------|
| 1            | .561 <sup>a</sup> | .315            | .299                     | 1.01899                           | 1.792                |

a) Predictors: (Constant), Kualitas Pelayanan , Diferensiasi Produk

b) Dependent Variable: Loyalitas pelanggan

From the output above to assess the presence or absence of autocorrelation, we can use a confidence level of 5% of samples (n) which is owned by 88 respondents, and the independent variables or explanatory variables as much as 2 the importance of the value of du in the table Durbin Watson is 1.6999. So the value of d lies in  $du < d < (4-du)$  is  $1.6999 < 1.792 < 2.3001$ , it can be concluded there is no autocorrelation.

**4.3.1.3 Test Multicollinearity**

Multicollinearity test aims to test whether a correlation is found between the independent variables (independent). There are several ways of testing multikolinearitas but that I use is the test of Variance Inflation Factor.

The guidelines in this test just to see if VIF value for each variable is greater than 1 or not. When VIF over 10 is indicated multikolinearitas symptoms occur otherwise if the fund is less than 10 then there is no multikolinearitas.

The results of SPSS output for this test is shown in the following table:

**Coefficients<sup>a</sup>**

| <i>Model</i> | <i>Unstandardized Coefficients</i> |                   | <i>Standardized Coefficients</i> |          |             | <i>Collinearity Statistics</i> |            |
|--------------|------------------------------------|-------------------|----------------------------------|----------|-------------|--------------------------------|------------|
|              | <i>B</i>                           | <i>Std. Error</i> | <i>Beta</i>                      | <i>t</i> | <i>Sig.</i> | <i>Tolerance</i>               | <i>VIF</i> |
| 1            | (Constant)                         | 5.119             | 1.399                            |          | 3.659       | .000                           |            |
|              | Diferensiasi Produk                | .340              | .066                             | .507     | 5.121       | .000                           | .821       |
|              | Kualitas Pelayanan                 | .086              | .079                             | .108     | 1.091       | .279                           | .821       |

a) Dependent Variable: Loyalitas pelanggan

Judging from the above table that all independent variables have VIF value of less than 10, it can be concluded that there is no multicollinearity among the independent variables studied.

**4.3.1.4 Test Heteroscedasticity**

Heteroscedasticity test aims to test whether the regression model occurred inequality residual variance of an observation kepengamatan else. If the residual variance of an observation of another kepengamatan fixed, then it is called and if different homokedastisitas called heterokedastisitas.

**4.3.2. Analysis of Effect of Product Differentiation, Quality of Service on Customer Loyalty**

The stages of analysis of the influence of product differentiation, Quality of Service to Customer Loyalty is as follows:

**4.3.2.1. Multiple Regression Analysis**

The results of the test data results of the regression between variables Product Differentiation with Customer Loyalty are presented in the following table:

**Table 4.7**  
**Results of Multiple Regression Analysis between Product Differentiation, Quality Service with Customer Loyalty**

| Coefficients <sup>a</sup> |                             |            |                           |       |      |
|---------------------------|-----------------------------|------------|---------------------------|-------|------|
| Model                     | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|                           | B                           | Std. Error | Beta                      |       |      |
| 1 (Constant)              | 5.119                       | 1.399      |                           | 3.659 | .000 |
| Diferensiasi Produk       | .340                        | .066       | .507                      | 5.121 | .000 |
| Kualitas Pelayanan        | .086                        | .079       | .108                      | 1.091 | .279 |

a) Dependent Variable: Loyalitas pelanggan

Based on the above table it can be obtained a value of 5119, the value of 0.340 b1, b2 value of 0086 so that the composition of linear regression are as follows:

$$Y = 5,119 + 0.340 X1 + 0.086X2$$

Multiple regression analysis above shows that the constant of 5,119 means that at the time of Product Differentiation and Quality Service at 0 unit of the Customer Loyalty amounted to 5,119.

B1 value of 0.340, which means that every increase in the unit of product differentiation affect the improvement of Customer Loyalty at 0.340. B2 value of 0086 which means that every unit increase in similar service quality will affect the increase in Customer Loyalty for 0086.

**4.3.2.2. Multiple and Partial Correlation Analysis**

Multiple correlation analysis is used to discuss the degree of relations between Differentiation Product and Service Quality variable X1, X2 with Y or to determine the strength or weakness of the relationship between the variables X1, X2 and Y variable coefficient measurement is performed using the correlation coefficient simultaneous or jointly between Product Differentiation and Quality of Service to Customer Loyalty. The results of multiple correlation analysis can be seen in the following table:

**Table 4.8**  
**Correlation Analysis of Effect of Product Differentiation and Quality of Service on Customer Loyalty**

| Model Summary <sup>b</sup> |                   |          |                   |                            |  |
|----------------------------|-------------------|----------|-------------------|----------------------------|--|
| Model                      | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |  |
| 1                          | .561 <sup>a</sup> | .315     | .299              | 1.01899                    |  |

a) Predictors: (Constant), Kualitas Pelayanan , Diferensiasi Produk

b) Dependent Variable: Loyalitas pelanggan

To look how strong the relationship between variables (X1) to variable (Y) can be used table interpretation of the correlation coefficient (r) as follows:

Based on the above table correlation between product differentiation and Quality of Service with Customer Loyalty shows that the relationship between X1 and X2 with Y is 0.561, which means that the relationship between product differentiation and Quality of Service with Customer Loyalty is moderate, and the relationship is unidirectional. This means that the Quality of Service Differentiation and have a relationship that was with Loyalty Customers in the KFC Buaran Plaza.

While the partial correlations are used to determine the level of influence of each independent variable on the dependent variable on condition that if being studied is the effect of variable X1 to variable Y, then the other variables held constant. The partial correlation analysis results can be seen in the following table:

**Table 4.9**  
**Partial Correlation Analysis of Effect of Product Differentiation on Customer Loyalty Correlation**

| <i>Control Variables</i> |                     |                         | <i>Diferensiasi Produk</i> | <i>Loyalitas pelanggan</i> |
|--------------------------|---------------------|-------------------------|----------------------------|----------------------------|
| Kualitas Pelayanan       | Diferensiasi Produk | Correlation             | 1.000                      | .486                       |
|                          |                     | Significance (2-tailed) | .                          | .000                       |
|                          |                     | Df                      | 0                          | 85                         |
|                          | Loyalitas pelanggan | Correlation             | .486                       | 1.000                      |
|                          |                     | Significance (2-tailed) | .000                       | .                          |
|                          |                     | df                      | 85                         | 0                          |

From the analysis of partial correlation ( $r_{y.x1}$ ) obtained correlation between product differentiation with customer loyalty where quality of service is controlled (made permanent) is 0.486. This shows that there is a relationship that is or is not too strong of a product differentiation with customer loyalty if the quality of service remains. While the direction of the relationship is the same direction as the value of r is positive, meaning that more and more product differentiation eat more and increase customer loyalty KFC Buaran Plaza, but the relationship was.

**Table 4.10**  
**Partial Correlation Analysis of Influence and Service Quality on Customer Loyalty Correlations**

| <i>Control Variables</i> |                     |                         | <i>Kualitas Pelayanan</i> | <i>Loyalitas pelanggan</i> |
|--------------------------|---------------------|-------------------------|---------------------------|----------------------------|
| Diferensiasi Produk      | Kualitas Pelayanan  | Correlation             | 1.000                     | .117                       |
|                          |                     | Significance (2-tailed) | .                         | .279                       |
|                          |                     | df                      | 0                         | 85                         |
|                          | Loyalitas pelanggan | Correlation             | .117                      | 1.000                      |
|                          |                     | Significance (2-tailed) | .279                      | .                          |
|                          |                     | df                      | 85                        | 0                          |

From the analysis of partial correlation ( $r_{y.x2}$ ) obtained correlation between service quality and customer loyalty where product differentiation is controlled (made permanent) is 0.117. This shows that there is a very low correlation between service quality and customer loyalty if the differentiation of products is fixed. While the direction of the relationship is the same direction as the value of  $r$  is positive, meaning that more and more product differentiation eat more and increase customer loyalty KFC Buaran Plaza, but the relationship is very low.

4.3.2.3 Coefficient of Determination Regression

The coefficient of determination used to determine the extent of the effect of product differentiation on Customer Loyalty, The data processing results of the coefficient of determination is as follows:

**Table 4.11**  
The coefficient of determination between Product Differentiation and Quality of Service to Customer Loyalty

| Model Summary <sup>b</sup> |                   |          |                   |                            |
|----------------------------|-------------------|----------|-------------------|----------------------------|
| Model                      | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1                          | .561 <sup>a</sup> | .315     | .299              | 1.01899                    |

a) Predictors: (Constant), Kualitas Pelayanan , Diferensiasi Produk

b) Dependent Variable: Loyalitas pelanggan

Based on the above table, the figure R2 (R Square) of 0.315 or (31.5%). This shows that the percentage contribution of the influence of the independent variables (Product Differentiation and Quality of Service) to the dependent variable (Loyalty) of 31.5%. Or variations of the independent variables used in the model (Product Differentiation and Quality of Service) are able to explain 31.5% of the variation dependent variable (Customer Loyalty). The remaining 68.5% is influenced or explained by other variables not included in this research model.

4.3.2.4. Hypothesis Testing (t test)

From the results of the regression analysis output can be presented as follows:

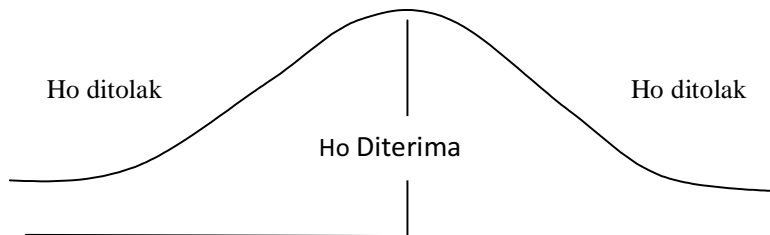
**Table 4.12**  
The results of the t-test between Product Differentiation and Quality of Service to Customer Loyalty

| Model |                     | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|-------|---------------------|-----------------------------|------------|---------------------------|-------|------|
|       |                     | B                           | Std. Error | Beta                      |       |      |
| 1     | (Constant)          | 5.119                       | 1.399      |                           | 3.659 | .000 |
|       | Diferensiasi Produk | .340                        | .066       | .507                      | 5.121 | .000 |
|       | Kualitas Pelayanan  | .086                        | .079       | .108                      | 1.091 | .279 |

a Dependent Variable: Customer loyalty

A. Test regression coefficient Effect of Product Differentiation on Customer Loyalty

1. Determining Hypothesis  
Ho:  $\beta_1 \leq 0$ : Partially there was no significant effect of product differentiation on customer loyalty.  
Ha:  $\beta_1 > 0$ : Partially no significant effect of product differentiation on customer loyalty.
2. Determining the level of significance  
The significance level using  $\alpha = 5\%$ .
3. Determine the t  
According to the table obtained t calculate equal to 5.121.
4. Determine t table  
The results obtained for t table amounted to 1,988.
5. Criteria Testing  
Ho accepted if arithmetic d" t table  
Ho is rejected if  $t > t$  table
6. Comparing t arithmetic with t table  
T count  $>$  t table (5.121  $>$  1.988), then Ho is rejected.
7. Figure



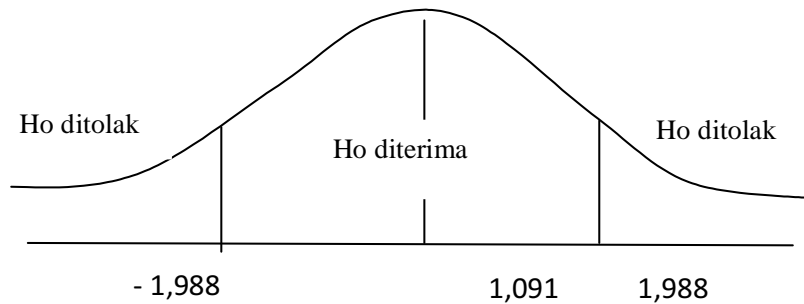
**Figure 4.6: Determining Regions Ho Product Differentiation on Customer Loyalty**

8. Conclusion  
Therefore  $t \text{ count} > t \text{ table}$  (5.121  $>$  1.988), then Ho refused or Ha accepted, meaning a partial no significant effect of product differentiation on customer loyalty in KFC Buaran Plaza.

Test the regression coefficient B. Effect of Service Quality on Customer Loyalty

1. Determining Hypothesis  
Ho :  $\beta_2 \leq 0$ : Partially no significant influence between service quality on customer loyalty.  
Ha:  $\beta_2 > 0$ : Partially no significant effect between service quality on customer loyalty.
2. Determining the level of significance  
The significance level using  $\alpha = 5\%$ .
3. Determine the t  
According to the table obtained t calculate equal to 1.091.
4. Determine t table  
The results obtained for t table of 1.988.

5. Criteria Testing  
 Ho accepted if arithmetic  $d''$  t table  
 Ho is rejected if the table or t count  $>$  t table
6. Comparing t arithmetic with t table  
 Value  $t \leq$  t table ( $1.091 < 1.988$ ), then Ho is accepted.
7. Figure



**Figure 4.7: Determining Regions Ho Service Quality Products to Customer Loyalty**

8. Conclusion  
 Therefore t arithmetic  $\leq$  t table ( $1.091 > 1.988$ ), then Ho Ha rejected or accepted, it means Partially no significant influence between service quality and customer loyalty at KFC Buaran Plaza.

**4.3.2.5. Hypothesis Testing (Test F)**

From the results of regression analysis output value of F as in table 2 below.

**Table 4.13**  
**F-test results between product differentiation and Quality of Service to Customer Loyalty ANOVA<sup>a</sup>**

| <i>Model</i> | <i>Sum of Squares</i> | <i>Df</i> | <i>Mean Square</i> | <i>F</i> | <i>Sig.</i>       |
|--------------|-----------------------|-----------|--------------------|----------|-------------------|
| 1 Regression | 40.638                | 2         | 20.319             | 19.569   | .000 <sup>b</sup> |
| Residual     | 88.259                | 85        | 1.038              |          |                   |
| Total        | 128.898               | 87        |                    |          |                   |

a) Dependent Variable: Loyalitas pelanggan

b) Predictors: (Constant), Kualitas Pelayanan , Diferensiasi Produk

Results of testing hypotheses F test:

2. Is a Hypothesis

Ho:  $\beta_1, \beta_2 \leq 0$ : There is no significant effect between product differentiation and quality of service together on customer loyalty.

$H_a: \beta_1, \beta_2 > 0$ : There is a significant effect between product differentiation and quality of service together on stock prices.

3. Determining the level of significance

The significance level using  $\alpha = 5\%$  (5% significance or 0.05 is the standard measure often used in the study).

4. Determine F count

Based on the table obtained F count equal to 19 569.

5. Determine F table

By using a 95% confidence level,  $\alpha = 5\%$ , df 1 (the number of variables - 1) = 2, and df 2 (nk-1) or 88-2-1 = 86 (n is the number of cases and k is the number of independent variables), the results obtained for the F table at 3,104 (see annex)

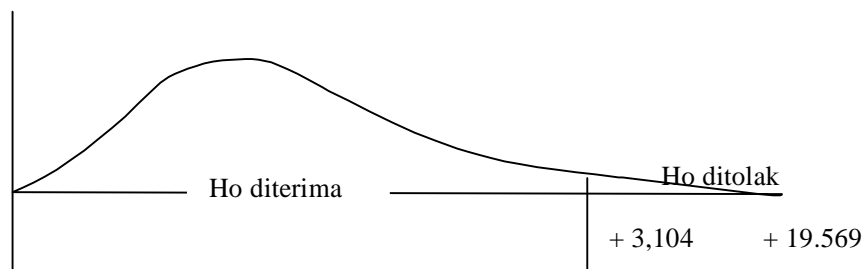
6. Criteria testing

$H_0$  accepted if F count  $\leq$  F tables

$H_0$  is rejected if F count  $>$  F table

7. Comparing F arithmetic with F table.

F count  $>$  F table (19 569  $>$  3.104), then  $H_0$  is rejected.



**Figure 4.8: Determining Regions  $H_0$**

8. Conclusion

Because the F count  $>$  F table (19 569  $>$  3.104), then  $H_0$  is rejected and  $H_a$  accepted, meaning that there are significant effect between product differentiation and quality of service together on customer loyalty in KFC Buaran Plaza.

#### **4.4. Discussion**

Based on the above results, the discussion may be obtained as follows:

Known the results of the linear regression is  $Y = 5,119 + 0.340 X_1 + 0.086X_2$ , that the constant of 5,119 means that at the time of Product Differentiation and Quality Service at 0 unit of the Customer Loyalty amounted to 5,119.

In multiple regression analysis that the constant of 5,119 means that at the time of Product Differentiation and Quality Service at 0 unit of the Customer Loyalty for 5.119. Nilai  $b_1$  by 0340, which means each unit rise in product differentiation affects the increase of Customer Loyalty at 0.340.  $B_2$  value



of 0086 which means that every unit increase in similar service quality will affect the increase in Customer Loyalty for 0086.

Multiple correlation between product differentiation and Quality of Service with Customer Loyalty shows that the relationship between X1 and X2 with Y is 0561, which means that the relationship between product differentiation and Quality of Service with Customer Loyalty is moderate, and the relationship is unidirectional. This means that the Quality of Service Differentiation and have a relationship that was with Loyalty Customers in the KFC Buaran Plaza.

Partial correlation between product differentiation with customer loyalty which is controlled Quality of Service (made permanent) is 0.486. This shows that there is a relationship that is or is not too strong between Product Differentiation with Customer Loyalty if service quality remains. While the direction of the relationship is the same direction as the value of  $r$  is positive, it means more and more differentiation products are then further enhance Customer Loyalty KFC Buaran Plaza. Partial correlation between the Quality of Service with Customer loyalty where product differentiation is controlled (made permanent) is 0.117. This shows that there is a very low correlation between the Quality of Service with Customer Loyalty if product differentiation is fixed. While the direction of the relationship is the same direction as the value of  $r$  is positive, it means the better the quality of service the greater increase Customer Loyalty KFC Buaran Plaza, but the relationship is very low.

Based on the above table, the figure  $R^2$  (R Square) of 0.315 or (31.5%). This shows that the percentage contribution of the influence of the independent variables (Product Differentiation and Quality of Service) to the dependent variable (Loyalty) of 31.5%. Or variations of the independent variables used in the model (Product Differentiation and Quality of Service) are able to explain 31.5% of the variation dependent variable (Customer Loyalty). While the remaining 68.5% influenced or explained by other variables not included in this research model.

Therefore  $t_{count} > t_{table}$  ( $5.121 > 1.988$ ), then  $H_0$  refused or  $H_a$  accepted, meaning a partial no significant effect of product differentiation on Customer Loyalty in KFC Buaran Plaza.

Therefore  $t_{arithmetic} > t_{table}$  ( $1,090 > 1,988$ ), the  $H_a$   $H_0$  is rejected or accepted, it means Partially no significant effect between the Quality of Service to Customer Loyalty in KFC Buaran Plaza. Thus, the quality of service that does not guarantee customers will be loyal, because Quality of Service KFC has very weak influence on the creation of loyalty to KFC in Buaran Plaza. The cause of a very weak influence of Quality of Service can be analyzed because there are other factors (factors outside of Quality of Service), which provides a stronger influence in creating loyalty compared with service quality factors. According to Gupta, Mc Laughlin and Gomez (2007) that there are three basic performance in the restaurant, which is in addition to the quality of service, other factors that the quality of food and price.

Because the  $F_{count} > F_{table}$  ( $19\ 569 > 3.104$ ), then  $H_0$  refused or  $H_a$  accepted, meaning that there are significant effect between Product Differentiation and Quality Service jointly against KFC Customer Loyalty in Buaran Plaza.

## V. CONCLUSION

### 5.1. Conclusion

This study aimed to determine the effect of product differentiation, Quality of Service to Customer Loyalty either alone or simultaneously or together. Testing is done by spreading questionnaire consisting of 88 respondents, the data analysis concluded as follows:

1. The results of multiple regression equation  $y = 5,119 + 0.340 X_1 + 0.086X_2$ . In multiple regression analysis that the constant of 5,119 means that at the time of Product Differentiation and Quality Service at 0 unit of the Customer Loyalty amounted to 5,119. B1 value of 0.340, which means that every increase in the unit of product differentiation affect the improvement of Customer Loyalty at 0.340. B2 value of 0086 which means that every unit increase in service quality will affect the increase in Customer Loyalty for 0086.
2. The results of the  $t > t$  table ( $5.121 > 1.988$ ), then  $H_0$  is rejected, meaning a partial no significant effect between Product Differentiation with Customer Loyalty in KFC Buaran Plaza.
3. Results of  $t$  arithmetic  $\leq t$  table ( $1.090 > 1.988$ ), then  $H_0$  is accepted, it means Partially no significant effect between the Quality of Service with customer loyalty at KFC Buaran Plaza. Thus, the quality of service that does not guarantee customers will be loyal, because Quality of Service KFC has very weak influence on the creation of loyalty to KFC in Buaran Plaza
4. Since  $F$  arithmetic  $> F$  table ( $19.569 > 3.104$ ), then  $H_0$  is rejected, it means adapengaruh significantly between Product Differentiation and Quality Service jointly against KFC Customer Loyalty in Buaran Plaza.
5. Product Differentiation and Quality Service are able to explain 31.5% of the variation dependent variable (Customer Loyalty). While the remaining 68.5% influenced or explained by other variables not included in this research model.

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