

## DOES CUSTOMER SATISFACTION ON PRODUCT QUALITY ILLUSTRATES LOYALTY OF AGRICULTURAL PRODUCT?

Agriani H. Sadeli\*, Hesty N. Utami\* and Rayi Rahmanissa\*

**Abstract:** *Coffee is an agriculture commodity that sold to the market with homogenous condition in previously, has change to a product with differentiation through a new market form such as, coffee shop. There was a lot of efforts had done to created product with better product quality, so that customer could distinguish between one agriculture product with others. In addition, creating high satisfaction of local coffee shop customer on agriculture product quality will gain customer loyalty. Therefore, firm can win the competition with foreign coffee shops and others local coffee shops. The research objective is to analyze the relationship between customer satisfaction and loyalty on consumer of Java Preanger Coffee as local coffee shop that sold specialty coffee based on geography indication. The research shows that customer satisfaction of product quality has positively influences to customer loyalty, however, customer satisfaction illustrates customer loyalty in a low level.*

**Keywords:** *consumer behavior, satisfaction, loyalty, coffee, product quality.*

### INTRODUCTION

Agribusiness sector has a unique characteristic, as the commodities are perishable and homogenous in this sector. In order to winning the competition in homogeneous commodity market, adjustment in marketing strategy is important to apply, one with improvement in product quality to differentiate among the product. A lot of efforts have been carried to assist customer on distinguishing the products, therefore, consumer who satisfied could re-purchase and search the product easily. However, the agriculture product that has the same agriculture product quality would mostly viewed as a similar product by customer.

Coffee is an agriculture commodity that has a high demand, particularly in big cities in Indonesia. Moreover, drinking coffee is customer part of customer lifestyle (Remiasa, 2007) nowadays. In order to fulfill this opportunities, the numbers of coffee shops increased significantly recently. Consequently, in 2014, 37 coffee shops

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\* Agriculture of Economic and Social Sciences Department, Universitas Padjadjaran, Indonesia, E-mail: [agriani.hermita@unpad.ac.id](mailto:agriani.hermita@unpad.ac.id)

from foreign and local coffeshop that serve many kind of coffee spread all over Bandung, West Java, Indonesia, should compete in a tough competition. Java Preanger Coffee Shop is one of local coffee shop that sold Arabica coffee based on geography indication of West Java as coffee production center. The uniqueness of this coffee shop is they sold coffee that original coffee from West Java where the coffee shop is located. In order to success and win the competition in agribusiness sector, it is necessary to measure and analyze the relationship between customer satisfactions of agriculture product quality and loyalty in this local coffee shop.

### **THEORETICAL ANALYSIS**

Strategies of customer retention or customer satisfaction become more important in tight competition (Matzler and Hinterhuber, 1998). Also, firms should convince customer about the product that they offer is the best product within the wide range of the same products (Dubrovski, 2001), particularly in product quality that they sold. In addition, to gain competitive advantage, firms should create a good relationship with customer by give a higher satisfaction that leverage to customer loyalty.

Customer satisfaction is an important factor to be successful in a business (Spiller *et al*, 2007). Measurement of customer satisfaction through product quality and service is needed to improve company performance (Fornell *et al*, 1996). Moreover, customer satisfaction can be a complement to economic measures of productivity and quality (Matanda, 1999). Evaluating quality as a measurement of customer satisfaction is growth interesting for managerial, and also to identified product performance by using customer satisfaction rating (Anderson and Sullivan, 1993). According to Garvin (1987), product quality dimension which potential to used by marketer are performance, feature, reliability, conformance, durability, serviceability, aesthetics and perceived quality.

Furthermore, high levels of customer satisfaction create a high level of customer loyalty (Fornell *et al*, 1996; Matzler and Hinterhuber, 1998). There are several advantages fro customer loyalty. Customer loyalty will impact to reduce the cost to attract new customer (Matzler and Hinterhuber, 1998), higher market share and increased revenue (Reichheld, 1993 and Edvardsson *et al*, 2000). Also, satisfied and loyal customer drive the referral and word-of-mouth from relatives or friends and these customer are more likely to be in a habitual or repeat purchase (Edvardsson *et al*, 2000). Customers purchase a product because they have a strong reason toward quality in order to satisfy their desire benefit (Astuti and Cahyadi, 2007). However, when the incentive vanishes, customers have lost their prime reason for purchase (Dowling and Uncles, 1997). Therefore, firm should encourage

customer to buy product repeatedly by provide benefit and incentive as customer demanded to fulfill their desire.

Customer loyalty is the main objective for strategic marketing planning because it takes many advantage outcomes to companies (Pratminingsih *et al*, 2013). Consequently, firm manager need a better understanding of the relationship between customer satisfaction and customer loyalty to allocate their marketing efforts (Shankar, *et al*, 2002), particularly in agriculture products which has a unique characteristic such as homogenous.

### EXPERIMENTAL

The research conduct at Java Preanger Coffee Shop, Bandung, West Java, Indonesia, with quantitative research method applied survey design. Survey is a method that used to identified and measure customer satisfaction (Kotler, 2000). Data concerning customer socio-demographic characteristics, reason-to-buy and purchase frequency were identified by interviewed customer, then analyzed by cross tabulation. The number of respondent was defined by iteration calculation.

Customer satisfaction and loyalty data collected through questionnaire that covers research variables to 62 customers who purchase and drink coffee in Java Preanger Coffee Shop. First, response for questions were made on 1 - 5 likert scales labeled very dissatisfied and very satisfied at each extreme for customer satisfaction of product quality measurement. Product quality dimension that used in this research only in 7 dimension, exclude one dimension called durability, because customer drink the coffee as soon as they order their desired coffee in the coffee house. As can be seen in the table below, the key performances that used in this research based on quality dimension.

**Table 1**  
**Kay Performances of Coffee in Java Preanger Coffee House**

<i>Quality Dimension</i>	<i>Key Performances</i>
Performances	Taste, odor, product volume, and content
Features	Variety of flavor
Reliability	Price and raw materials quality
Conformances	Product advantages,
Aesthetics	Physical appearance and place atmosphere
Perceived Quality	Product information
Serviceability	Service ability and serving method

Another measurement is customer loyalty data that is gathered by question that labeled with very disagree and very agree at each extreme side. Furthermore,

the research applied ordinary least square regression to analyze whether the independent variable influences dependent variable. Customer satisfaction as independent variable was regressed on customer loyalty as dependent variable, with equation model as follows:

$$Y = a + bX$$

Note:

Y = customer loyalty

X = customer satisfaction

Hypotheses of this research are an influence of customer satisfaction to customer loyalty, as follow:

H0 = Customer satisfaction is not significantly influenced customer loyalty.

H1 = Customer satisfaction is significantly influenced customer loyalty.

## RESULTS

Java Preanger Coffee Shop core business is selling coffee with coffee shop concept, which is now become more popular in Bandung. The consumer came from variety of consumer characteristics, they also purchase coffee in Java Preanger Coffee Shop with various different reasons.

According to table 2, the proportion of male is higher than female with 64,5 % and 35,5 %, respectively. The majority of consumer Java Preanger Coffee Shop is young adult and middle age, while adult and adolescent only has a small portion. Consumer's lowest education level is senior high school, while bachelor degree has a greatest number. In addition, the highest number of consumers who have occupation in private company, followed by students. Next, consumer's salary more than Rp. 5.000.000 proportion are just over half from all respondents.

The main reason for consumer who purchase coffee for the first time is referral from relative or friends who have already consume coffee at Java Preanger Coffee Shop then share positive information and refer them to come and taste the coffee. It shows a commitment by loyal customer to help focal organization to success through word-of-mouth recommendations (Bell *et al*, 2005). New experience of coffee and atmosphere in find new place of coffee shop is a component to fulfill this lifestyle. As a result, consumer intends to find much information from many sources, such as from friends who share their experiences. Another reason is coffee shop location, which considered important by more than half of consumer who visit this place because the more easiness on finding the location, the more intention to visit the coffee shop.

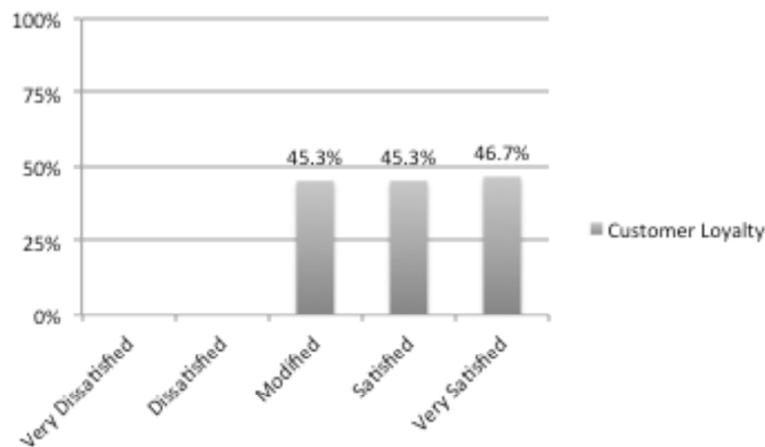
**Table 2**  
**Java Preanger Coffee Shop Consumer Characteristic**

<i>Sex</i>	<i>n</i>	<i>%</i>
Male	40	64,5
Female	22	35,5
Age	<i>n</i>	<i>%</i>
Adolescent (19)	1	0,02
Young Adult (20-29)	34	54,8
Adult (30-39)	6	9,6
Middle age (40-60)	20	32,3
Education	<i>n</i>	<i>%</i>
Elementary school	0	0,0
Junior high school	0	0,0
Senior high school	12	19,4
Diploma	8	12,9
Bachelor	37	59,7
Master	5	8,1
Occupation	<i>n</i>	<i>%</i>
Private company employee	22	35,5
Entrepreneur	13	0,2
Government employee	10	0,1
Housewife	2	3,2
Student	15	24,2
Income	<i>n</i>	<i>%</i>
<Rp1.000.000	4	6,5
Rp1.000.001-3.000.000	15	24,2
Rp3.000.001-5.000.000	11	17,7
>Rp5.000.001	32	51,6

Furthermore, coffee taste is the reason behind majority of consumer who consume coffee for the second times or more. It means the attribute quality of local coffee taste as the main attribute that makes repeat purchase. Another reason is habitual as the basic reason of consumers who consume coffee more than third times. Habitual on behavior is enlarged by everyday demand, these consumer better frequently purchase the same product than alternatives (Wood and Neal, 2009) and less information is needed to make decisions and consumption intentions (Lawley and Birch, 2014).

**Tabel 3**  
**Reasons to Purchase Coffee and Visiting Frequency in Java Preanger Coffee Shop**

		Frequency Coffee Purchased in Java Preanger Coffee Shop				
		1 <sup>st</sup> time	2 <sup>nd</sup> times	3 <sup>rd</sup> times	>3 <sup>rd</sup> times	Total
Reason to Purchase Coffee	Coffee Shop Location	10	3	1	3	17
	Habitual	0	0	0	6	6
	Referral	18	0	0	0	18
	Curiosity	2	0	0	0	2
	Media Promotion	1	2	0	0	3
	Coffee Taste	0	5	1	4	10
	Attending Music Event	4	0	0	2	6
	Total	35	10	2	15	62



**Figure 1: Relationship between Customer Loyalty and Customer Satisfaction**

Based on Figure 1, the vertical bar chart gives information about the percentage of customer loyalty by level of customer satisfaction, namely very dissatisfied, dissatisfied, modified, satisfied and very satisfied in Java Preanger Coffee Shop. It represents that customers are spread between modified and very satisfaction, in contrast, none of the customer dissatisfied with coffee product quality. The percentage of customer loyalty remains steady within those three levels of satisfaction. Customer loyalty represented 45.3% of the total value of customer loyal from modified and satisfied customer. There were slightly increased about 1.4 % from satisfied to very satisfied customer. As several literatures, it assumed there was a significant increase in the customer loyalty from customer that satisfied. However the research result shows among all three level of satisfaction

approximately similar in the percentage customer loyalty, which indicate even though customer satisfied there was possibility for the customer to be disloyal and move to others coffee product easily to fully satisfy their desire.

**Table 4**  
**Correlation Analysis Between Variable Satisfaction and Loyalty of Coffee Consumer**

	<i>Satisfaction (X)</i>	<i>Loyalty (Y)</i>
Satisfaction (X)	1	0.297*
Loyalty (Y)	0.297*	1

Note: \* Correlation is significant at the 0.05 level (2-tailed)

As can be seen from the table 4, a relationship between customer satisfaction and customer loyalty with  $r = 0.297$  at 5 percent level. While, table 5 represents ordinary least square regression result, with F-statistics for the equation was significant at the 5 percent level that confirming the model fitness. The equation as follow:

$$Y = 2.371 + 0.353 X$$

**Table 5**  
**Estimation Model Customer Loyalty**

<i>Variabel</i>	<i>Koefisien</i>	<i>Std. Error</i>	<i>t-Statistik</i>	<i>Prob.</i>
Constant	2.371	0.541	4.379	0.000
X	0.353	0.146	2.407	0.019*
R-squared	0.088			
Adjusted R-squared	0.073			
F-statistic	5.796			
Prob (F-statistic)	0.019*			

Note: dependent variable Y

\* significance at the level 5%

As shown in the table 5, the equation has an extremely low in adjusted R square values with only 0,073, it means customer loyalty only 7,3% represented by customer satisfaction, and the remains describe by other variables than customer satisfaction not covered in this regression equation. Customer satisfaction statistically indicates significant influence towards customer loyalty at the 5 percent level. It has a positive impact to customer loyalty in accordance with research hypothesis. In other words, to achieve higher customer loyalty require higher satisfaction from the consumer.

## DISCUSSION

This research identified consumer's characteristics and reasons to buy coffee in Java Preanger Coffee Shop, also analyzed their satisfaction and loyalty. The main reasons behind customer who visit for the first time are referral and positive word of mouth recommendation from friends or relative. Next, followed by the second reason, coffee shop location. It has already become customers habitual and lifestyle to spend some of their leisure time to go to coffee shop such as this place.

Customer satisfaction categories, whether customers feel satisfied or very satisfied with coffee product quality, their loyalty category that stand on nearly similar position. There was a slight increase in the level of loyal consumer from very satisfied consumer. This is an indicator for customer to choose other coffee shop they willing to experience, due to many coffee shops offered in Bandung area with various atmospheres and various coffee products. Drinking coffee in coffee shops is only a lifestyle for this customer, they come to this place only to meet up some friends, discuss some topic and meeting. Local coffee house in Bandung have no strong brand image such as, foreign coffee shops, customer come to the coffee house only based on the location of the place such as, easy to access, not because they really want to drink specialty coffee from particular coffee shop.

The studies identify the influence of customer satisfaction based on customer assessment of product quality towards customer loyalty. Customer satisfaction explains customer loyalty in positive relationship, but in a low level. In this case customer satisfaction is not the only factors that explains customer loyalty. Because customer have wide range choices of coffee shops and sold almost similar products, product quality satisfaction only a small part in determining loyalty. Even though customer satisfied with the quality of coffee in the coffee house, satisfaction is retaining the customer only in a small portion.

As Shankar, *et al* (2002) stated that when customer offers with many alternatives that customer could highly satisfy, but they could not be considering as loyal customer. Consumer probably in a high degree of openness to competing offers, hence customer loyalty effective for a time only (Malley, 1998). Firm managers should develop sustainable loyalty (Malley, 1998) to win the competition.

## CONCLUSION

To sum up, this study represents that customer behavior particularly in customer satisfaction on product quality and loyalty in agriculture product. All customer of coffee satisfied of the coffee product quality but explains customer loyalty in a low level. It is need a lot of effort to tackle the condition, with improvement not only through serving an excellent product quality that related with coffee whether the

coffee itself and how it serve, to achieve higher level of customer loyalty, but others factors. Based on this study there is still a broader possibility for further research require to be carries in order to present other predecessor factors that has higher level of customer loyalty explanation in agriculture product. In addition, marketing manager has knowledge where the firm should give more effort and develop appropriate long-term loyalty strategies, otherwise the customer will move to the competitor product easily.

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