IRJFE

International Research Journal of

Finance & Economics

USD $25.00
CAD $30.00

0 71361 06121 7
01>

INTERNATIONAL RESEARCH JOURNAL OF FINANCE AND ECONOMICS
http://www.internationalresearchjournaloffinanceandeconomics.com

Publication Ethics and Publication Malpractice Statement

International Research Journal of Finance and Economics is a peer-reviewed international research journal, which aims to publish articles of high quality dealing with issues in international finance and economics which impact on national and global economies. International Research Journal of Finance and Economics provides an international forum for applied research on financial markets, including the bond and equity markets, derivative securities markets, the foreign exchange market, corporate finance, market microstructure and cognate areas.
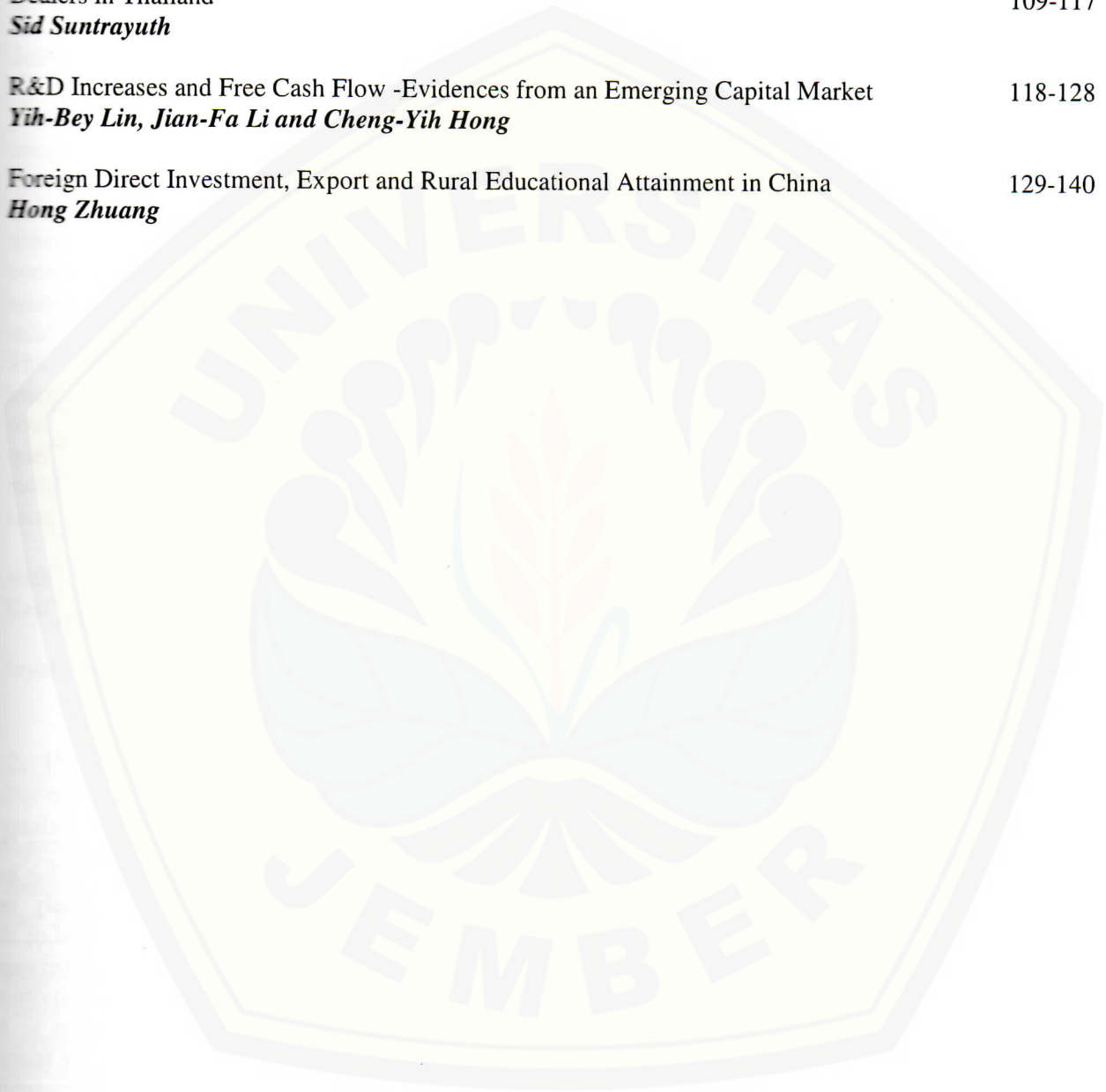
International Research Journal of Finance and Economics is also concerned with the link between the real and financial sides of the economy, forecasting and recent developments in econometric techniques applicable to financial research. International Research Journal of Finance and Economics relates primarily to experience in the main financial centers of Europe, North America, the Far East and Australasia, as well as issues relating to development finance and the emerging financial markets of the developing world and the transforming economies of Central and Eastern Europe.

International Research Journal of Finance and Economics aims at publishing articles and short research notes particularly in the areas of international economics, economic development, international finance, international banking and portfolio management, financial economics, international political

International Research Journal of Finance and Economics

Contents

Relationship Satisfaction with Quality Service Trust and Loyalty (Studies on the Mode of Railway Transportation in East Java)

Bambang Irawan
Department of Management, Jember University, Indonesia
E-mail: b_irawan24@ymail.com

Abstract

The purpose of this study is to prove the impact of service quality on satisfaction with ROPMIS indicators, impact of service quality with ROPMIS indicator of loyalty, the impact of service quality on trust ROPMIS indicators, the effect of satisfaction on loyalty, satisfaction effect on trust, loyalty and confidence effects. Samples are users Pearl Executive Class Train Service East. Sampling technique was purposive sampling. The sample was 120 respondents. The analysis uses Structural Equation Model (SEM) using AMOS 6.0 program. The research variables are service quality, satisfaction, trust, and loyalty. The analysis showed that the resources, satisfaction of service quality, perceived risk, and purchase again be the strongest indicator as a variable. In fact, service quality has a positive effect on loyalty directly or even indirectly through satisfaction and trust. Satisfaction is an intervening variable that mediates the effect of service quality on loyalty through satisfaction and trust.

Keywords: Quality Service, Trust, Loyalty

1. Introduction

Transportation in Indonesia in terms of the geographical aspect there are two things that concern the government. The first is transportation between islands, where transport is needed in a country that has more than 13,000 islands. In this case, there are two modes of transport at play, namely sea transportation, and air transportation. Sea transportation should act the backbone and lifeblood of the nation's economy, because with this mode of movement of the flow of goods and passengers between the islands is possible with a large capacity. While air transport capacity is limited in transporting goods. However, air transport modes can be optimized by transporting passengers, or items to be delivered quickly, certainly with a higher cost consequences. The second is transportation in the island, especially the five major islands of Sumatra, Java, Kalimantan, Sulawesi, and Papua. Land transport modes, namely the role of roads and railways. Railway transportation should serve the backbone of the transport system, it is because the train has more advantages compared to road transport, such as being able to load a lot, are bulk, cheaper, with higher speed, environmentally friendly, energy efficient, and so on . Thus the train was supposed to be the spearhead of transportation between cities in the island, especially in the fifth island. By train to carry passengers and freight can be more efficient (Directorate of Railways, 2008).

As one of the capital inland transportation, rail has a strategic role and a lot of elected people, especially users of transportation services carrying or transporting goods in large quantities of inter-regional or inter-provincial, because rail transport service has the ability to carry passengers and or

goods in the amount of large, comfortable, relatively safe, has a low level of contamination, and require a relatively large area and is more efficient compared with other land transport equipment (Kompas, May 14, 2005).

See how important and strategic role of the railway, it is thus talking about the quality of railway to be very interesting and important to investigate. Railways quality relates to the service quality delivered by PT Kereta Api Indonesia as an institution that provides transportation services to the public. Service quality is the fulfillment of the needs and desires of customers as well as the delivery accuracy to offset customer expectations (Zeithaml et al., 1996).

Thai study (2008) on sea transport, stating that the study of service quality using SERVQUAL previous researchers over Parasuraman et al., (1985), and not many are exploring the importance of image and social responsibility. According to Thai (2008) in addition to resources, output, process, and management, the image and social responsibility is seen as an important indicator of the service quality. As its statement Crompton (1979) that a favorable image is seen as a critical and important aspects of the company's ability to maintain its position in the market. Very relevant to the four basic components of the holistic marketing concept (the holistic marketing concept) includes: marketing relationships (*relationship marketing*); marketing integration (*integrated marketing*); internal marketing (internal marketing) and marketing social responsibility (social responsibility marketing). Thus in the era of relationship marketing as it is today, where the level of competition is getting tougher, the service is delivered so that the consumer satisfaction, trust and loyalty more complex and social responsibility as well as the problems faced increasingly lighter. Thus exploration of the service qualitys that are considered important and more relevant is the service quality dimensions ROPMIS include: resources (*Resources*), output (*Outcome*), process (*Process*), Management (*Management*), image (*Image*), and social responsibility (*Social responsibility*).

The problem is the lack of clarity about the relationship of service quality indicators ROPMIS, with satisfaction, trust and loyalty, in the context of railway transportation executive class "Pearl of the East" to compete with other modes of transportation.

This study aims to establish the service quality indicators ROPMIS have relationships with loyalty influence either directly or indirectly through satisfaction and confidence ..

2. Previous Research

For marketers, one way that the company is superior sales services from its competitors is by providing quality services that are able to meet the level of service the interests of consumers (Parasuraman et al., 1994; Zeithaml et al., 1996; Kotler, 1997). Development concept initiated by the service quality dimensions (Sasser et al., 1978; Lehtinen and Lehtinen, 1982; Grönroos, 1978; 1982; 1983, 1984, 1988 and 2001; Haywood, et al., 1988: Le Blanc and Nguyen, 1988 ; Babakus and Boller, 1992; Ovretveit, 1993; Johnston, R. and Chestnut, 1996; Harte and Dale, 1995). Parasuraman et al (1985) details the dimensions of service quality to ten dimensions include: reliability; responsiveness; ability; approval honor; communication; credibility and safety; consumer understanding, and physical evidence. In development regrouped into five dimensions known as SERVQUAL include: tangible; reliability; responsiveness; assurance, and empathy.

For research purposes the service quality requires a set of instruments that are measured with a certain scale. SERVQUAL scale development by Zeithaml et al., (1996), includes questions about expectations and consumer perceptions of the service quality they receive. While Cronin and Taylor (1994), propose an alternative measure known as SERVPERF (*service performance*) includes questions about the service quality delivered performance company. Development dimension of service quality in the transport sector was started by (Brooks, 1985, 1990; Slack, 1985; Murphy et al., 1989, 1992, Frankel, 1993; Lopez and Poole, 1998). Development dimension of service quality in the transport sector made Thai (2008) known as ROPMIS (*resources, outcome, process, management, image, and social responsibility*). In his research on sea transport sector Thai (2008) reported that the

improvement of the service quality is important and critical for the transport operators to better be able to provide satisfaction for its customers.

The essense of satisfaction related to the extent of feeling (feel) a person for something he had ever experienced. Kotler (2002) stated that the level of satisfaction is the feeling after comparing perceived performance to expectations. Satisfaction as evaluation purnabeli where the chosen alternative at least equal or exceed customer expectations (Engel et al., 1993), whereas dissatisfaction occurs when the output does not meet expectations (Spreng et al, 1996; Kotler and Keller, 2009). Consumer satisfaction is built by attributes attached to the product or accompanying services. Consumer satisfaction is formed by attributes: relating to the product; related services, and related to the purchase (Dutka, 1995).

Conceptualization of loyalty develops slowly, and behavioral brand loyalty is measured from its outcome (Tucker, 1964). Loyalty is defined the same as "commitment" (Dick and Basu, 1994; Gundlach et al., 1995 Oliver, 1999; Buttle and Burton, 2002; Bennett and Rundle-Thiele, 2002). While the desire for commitment is going to continue to take the relationship (Anderson and Weitz, 1989; Wilson, 1995). The concept of loyal behavior emphasis was seen in repeat purchase behavior (Cunningham, 1956, Tucker, 1964). Attitude makes a strong loyal customer resistance to efforts to influence from other marketers (Gundlach et al., 1995) will hold up well even against persuasion and attack others (Dick and Basu, 1994). Company's ultimate goal of success in a relationship is the relationship with customers to establish a strong loyalty (Zeithaml et al., 1996).

3. Hypothesis
The following hypothesis will be tested:
1. Effect of Service Quality on Satisfaction
2. Effect of Service Quality on Loyalty
3. Influence the service quality to the Trust
4. Influence between Satisfacto to Loyalty
5. Influence between Satisfaction with Confidence
6. Influence of Confidence in the Loyalty

4. Research Methods
The research is designed to answer the research questions and objectives, through hypothesis testing (Kerlinger, 1993). This study is an explanatory research (*research explanatory or confirmatory research*) that describe how a variable affects other variables (Ferdinand, 2006). Hypothesis testing is performed quantitatively using: Analysis of *Structural Equation Modeling (SEM)* (Pindyck and Rubinfeld, 1998; Gujarati, 1995; Hair et al., 2006).

4.1. Data Analysis

This study uses analysis method of *structural equation moedling* (SEM) with a model of the relationship as shown below:

Figure 1: Diagram of SEM Path
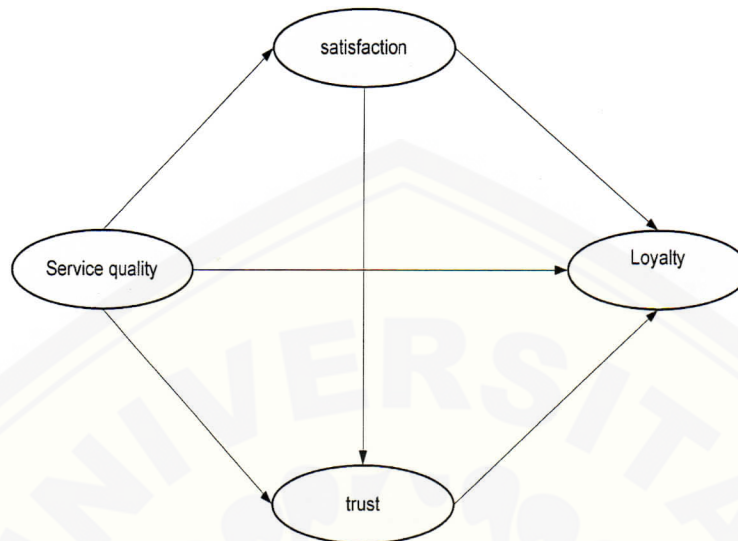
To measure these variables as indicators developed observable variables (*manifest variables*) follows (in terms of SEM, unobservable variable is described in the form of an ellipse, and the observable variables or manifest variables described in terms of box / square). Latent variables in the form of the indicator by using *Confirmatory Factor Analysis*. In SEM, the measurement indicators to variables is called *measurement model*.

4.2. Scope of Research

The population was all service users railway transportation "Pearl of the East" executive class majoring in Banyuwangi-Surabaya. Location of the study is on the Railway Station Operations Area IX VIII Jember and Surabaya Regional Operations. Time of data collection is in a certain period of time and the normal situation (cross-sectional data). Using primary data and secondary data as support. Primary data was collected through questionnaires directly. Secondary data were taken from the train station in Jember IX Regional Operations and Regional Operations railway station VIII Surabaya, and related agencies (Department of Land Transport; Registration Agency Statistics).

4.3. Samples

Sample size refers to the provisions of SEM analysis is at least 5 times the indicators used. Number of indicators this study entirely 16 (sixteen), so that the minimum sample size is 80 (5x16) of the respondents, while the model of an ideal size for Maximum Likelihood Estimation technique (ML) in the range 100-200 SEM sample (Sekaran, 2003; Hair, et al ., 2006). Thus defined as the study sample of 120 respondents. Purposive sampling: respondents at least 17 years old; within a month using the services of train two times or more. Distribution of questionnaires conducted with respondents met while waiting for the arrival of the train at the sites. Quantitative data are supported by in-depth interviews with selected informants competent and credible (Creswell, 2009; Emzir, 2010)

5. Results of Hypothesis Testing

Results of structural equation modeling analysis (Figure 1): "Relationship Satisfaction Service Quality, Trust and Loyalty" as follows.

Figure 2: Relationships of Satisfaction Service Quality, Trust and Loyalty

Chi-Square=122,478
df=99
Probabilitas=,055
RMSEA=,060
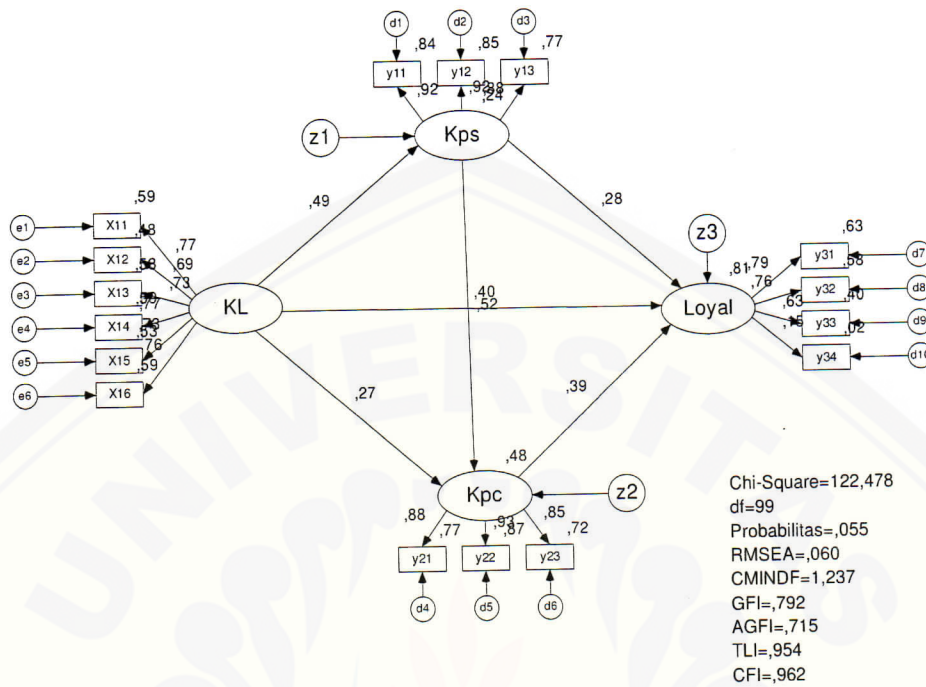CMINDF=1,237
GFI=,792
AGFI=,715
TLI=,954
CFI=,962

Table 1 shows all the hypothesized relationships among variables significant (*p-value* <0.05) relationship includes: (1) satisfaction with service quality, (2) service quality with loyalty, (3) service quality with trust, (4) satisfaction with loyalty; (5) satisfaction with the trust, and (6) the trust and loyalty.

Table 1:   Results of Research Hypothesis Test

No.	Test of effect			Path Coefficient	C.R	Prob.	conclusion
1	Service Quality	→	Satisfaction	0,488	3,617	0,000	Significant
2	Service Quality	→	Loyalty	0,400	3,098	0,002	Significant
3	Service Quality	→	Trust	0,270	2,115	0,034	Significant
4	Satisfaction	→	Loyalty	0,282	2,132	0,033	Significant
5	Satisfaction	→	Trust	0,524	4,114	0,000	Significant
6	Trust	→	Loyalty	0,390	2,750	0,006	Significant

Sources: SEM analysis with AMOS 6.0 program

5.1. Results of First Hypothesis Testing

Based on the analysis of a structural model of the first hypothesis, testing the influence of service quality on satisfaction is path coefficient obtained 0488 to 0.000 significance. Because the significance value <0.05 then indicated significant effect on Service quality Satisfaction, the better the quality of the service, it will lead to higher satisfaction. Thus the first hypothesis which states there is significant influence between the Service Quality Satisfaction is acceptable.

5.2. Results of Second Hypothesis Testing

Based on the analysis of a structural model second hypothesis, the influence of service quality testing on loyalty is path coefficient of 0.400 with a significance of 0.002. Because the significance value <0.05 then indicated significant effect on service quality loyalty, the better the quality of the service, it will lead to higher loyalty. Thus the second hypothesis which states there is significant influence between Service Quality on Loyalty is accepted.

5.3. Results of Third Hypothesis Testing

Based on the analysis of a structural model third hypothesis, the influence of service quality testing on trust is path coefficient of 0.270 with a significance of 0.034. Because the significance value <0.05 indicated the significant effect of the Service Quality of trust, the better the quality of the service, it will result in confidence will be higher. Thus the third hypothesis which states there is significant influence between service quality to the Trust is acceptable .

5.4. Results of Fourth Hypothesis Testing

Based on the analysis of a structural model fourth hypothesis, the effect of satisfaction testing on loyalty is path coefficient of 0.282 with a significance of 0.033. Because the significance value <0.05 then indicated significant effect on loyalty satisfaction, the better Satisfaction, Loyalty will result will be higher. Thus the fourth hypothesis which states that there is significant influence between satisfaction on loyalty is received.

5.5. Results of Fifth Hypothesis Testing

Based on the analysis of a structural model of the fifth hypothesis, influence of satisfaction testing on trust is path coefficient obtained for 0524 to 0.000 significance. Because the significance value <0.05 then indicated significant effect Satisfaction with confidence, the higher the satisfaction, it will result in confidence is also higher. Thus the fifth hypothesis which states there is significant influence between satisfaction with confidence is acceptable .

5.6. Results of Sixth Hypothesis Testing

Based on the analysis of a structural model sixth hypothesis, the effect of trust testing on loyalty is path coefficient of 0.390 with a significance of 0.006. Because the significance value <0.05 thus it indicated significant effect on Loyalty Trust, the higher the trust, it will also lead to higher loyalty. Thus the sixth hypothesis states that there is significant influence between the Loyalty and Trust is received.

5.7. Goodness of Fit SEM

Test results of the suitability of the model (Table 6) shows that of the eight criteria of goodness-of-fit used as cut-off was only two were pretty good indication (marginal-fit) the GFI and AGFI, while six other criteria the Chi-square, Probability, RMSEA, CMINDF, TLI, and CFI indicated good (good-fit). Meaning hypothetical model is supported by empirical data. Thus based on the results of the test goodness-of-fit can be said that the model has enough to qualify as a good predictor (Ghozali, 2005; Ferdinand, 2006; Hair et al., 2006, and Wijaya, 2010).

Table 6: Test results of Goodness-of-fit in overalls

No.	Goodness-of-fit	Test Result		Cutt-off (fit condition)	description
		Model	Indication		
1	Chi-square	122,478	Kecil	Kecil	Good-fit
2	Probability	0,055	> 0,05	≥ 0,05	Good-fit
3	RMSEA	0,060	< 0,08	≤ 0,08	Good-fit
4	CMINDF	1,237	< 2,00	≤ 2,00	Good-fit
5	GFI	0,792	< 0,90	≥ 0,90	Marginal-fit
6	AGFI	0,715	< 0,90	≥ 0,90	Marginal-fit
7	TLI	0,954	> 0,95	≥ 0,95	Good-fit
8	CFI	0,962	> 0,95	≥ 0,95	Good-fit

Sources: SEM analysis with AMOS 6.0 program

6. Summary and Conclusion

Based on some research findings, the following conclusions can be given:

1. Users railway transportation services "Pearl of the East" executive class has a profile: predominantly female, between the ages of forty to sixty years, working in the private sector with a middle class income, four times a month over the train, and had over a year into customers.
2. Service quality has a relationship with loyalty influence either directly or indirectly through satisfaction and trust. Thus the resource (resource) is an important aspect for rail service users. For that resource be a primary consideration how the PT Kereta Api in providing quality services to its customers. It means that the better the service quality delivered it will be able to create satisfaction, trust and loyalty
3. High satisfaction will lead to trust and loyalty. This means that the rail service user satisfied, then they will be more confident and more loyal to the railway mode

This study only focused on executive-class transportation "Pearl of the East" Surabaya-Banyuwangi major or otherwise operating in Daops Daops VIII and IX. Thus this study does not fully represent the condition of railways in Indonesia. Therefore subsequent studies that may be developed is by taking a sample of service users non executive class trains in Daops the other, so the result is sharper and comprehensive.

Aspects of the arrival and departure railway station are important aspects for users of railway mode, but in this study those have not been examined closely. Thus subsequent studies could be developed to incorporate these aspects in the questionnaire items.

References

[1] Babakus, E. and Boller, GW, 1992, "An empirical assessment of the SERVQUAL scale", Journal of Business Research, Vol. No. 24. 3, pp. 253-68.
[2] Crompton, J., 1979, "An assessment of the image of Mexico as a vacation destination and the influence of geographical location upon that image". *Journal of Travel Research*, Vol. 17. Spring, pp. 18-23.
[3] Directorate of Railways, 2008, "*Performance of Railways from 2003 to 2007*". Jakarta: Directorate of Railways Ministry of Transportation.
[4] Engel, James F., Roger D. Blackwell, Paul W. Miniard, 1993. "*Consumer Behavior*". Seventh Edition. Orlando: The Dryden Press.
[5] Ferdinand, A., 2006. "*Management Research Methods*". Second Edition Publisher Series Entity Key Library Diponegoro University.
[6] Grönroos, C., 1978," A service oriented approach to marketing of service", *European Journal of Marketing*, Vol. No. 12. 8, pp. 588-96.
[7] Grönroos, C., 1982," *Strategic management and marketing in the service sector*", Swedish School of Economics and Business Administration, Helsinki.
[8] Grönroos, C., 1983, "*Strategic Management and Marketing in the Service Sector*", Marketing Science Institute, Cambridge.
[9] Grönroos, C., 1984, "*Strategic Management and Marketing in the Service Sector*, Chartwell-Bratt, Bromley.
[10] Grönroos, C., 1984, "*A model of service quality and its marketing implications*", European Journal of Marketing, Vol. No. 18. 4, pp. 36-44.
[11] Grönroos, C., 1988," *The six criteria of good perceived service quality*", Review of Business, Vol. No. 9. 3, pp. 10-13.
[12] Grönroos, C., 2001," *The perceived service quality concept-a mistake?*", Managing Service Quality, Vol. No. 11. 3, pp. 150-52
[13] Gujarati, D., 1995. *Basic Econometrics*, publisher grants. Jakarta

[14] Hair, Joseph F. Jr., Ralph E. Anderson, Ronald L. Tathan, and William C. Black, 2006. *Multivariate Data Analysis*. Sixth Edition, Prentice-Hall Inc.., New Jersey.

[15] Haywood-Farmer, J., 1988," *A conceptual models of service quality"*, International Journal of Operations and Production Management, Vol. No. 8. 6, pp. 19-29

[16] Kerlinger, Fred N, 1993. "*Foundations of Behavior Research*". Third Editions (LR Translation Simatumpang), Yogyakarta: Gadjah Mada University Press.

[17] Kotler, P., 1997, "*Principles of Marketing*", Prentice Hall International Inc., Englewood Cliffs WJ

[18] Kotler, P., 2002, "*Marketing Management Millennium Edition*", PT. Prehalindo, Jakarta.

[19] Kotler, P., and Keller, KV, 2009, "*Marketing Management*", 13e, Pearson International Edition, Upper Saddle River, New Jersey: Pearson Prentice Hall. Inc.

[20] Lehtinen, U. and Lehtinen, JR, 1982," *Service quality: a study of quality dimensions"*, working paper, Service Management Institute, Helsinki.

[21] LeBlanc, G. and Nguyen, N., 1988," *Customers' perceptions of service quality in financial institutions*", International Journal of Bank Marketing, Vol. No. 6. 4, pp. 7-18.

[22] Thai. VV, 2008: "*Service Quality in Maritime Transport: Conceptual Model and Empirical Evidence*". Asia Pacific Journal of Marketing and Logistics, Vol 20, No. 4, 2008, pp. 493-518.

[23] Parasuraman, A., Zeithaml, V.A. and Berry, LL, 1985, "*A conceptual models of service quality and its implications for future research", Journal of Marketing, Vol. No. 49. 4, pp. 41-50.*

[24] *Parasuraman, A., Zeithaml, V.A. and Berry, LL,* 1994, "reassessment of expectations as a comparison standard in measuring service quality: implications for further research", Journal of Marketing, Vol. No. 58. 1, pp. 111-24.

[25] Sasser, W.E., Olsen, R.P. and Wyckoff, DD, 1978, *Management of Service Operations*: Texts, Cases and Readings, Allyn and Bacon, Boston, MA.

[26] Spreng, Richard A., Scott B. Mc Kenzi, and Richard W. Olshavsky, 1996. "*A reexamination of the determinants of customer satisfaction*". Journal of Marketing, Vol.60. pp.15-32

[27] Zeithaml, V.A., Berry, L.L. and Parasuraman, A., 1996, "*The Behavioral Consequences of service quality*", Journal of Marketing, Vol. No. 60. 2, pp. 31-46.

[28] Zeithaml, Valarie A, & Bitner, Mary Jo, 1996, "*Service Marketing*". New York: McGraw-Hill