



## The Impact of Product Quality and Service Quality on Client Loyalty and its Effect on Purchase Decision

Christian Kuswibowo<sup>1\*</sup>, Avia Enggar Tyasti<sup>2</sup>

Politeknik APP Jakarta

**Corresponding Author:** Christian Kuswibowo [christiankuswibowo@gmail.com](mailto:christiankuswibowo@gmail.com)

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### ABSTRACT

This study aims to analyze the impact of product quality and service on customer loyalty and purchase terms. Clients of PT Karya Laksana are the subjects of this study. The study was conducted with 150 respondents using quantitative descriptive methods. The sample length uses a purposeful sampling method that pays special attention to finding patterns. The survey method used when collecting data using a questionnaire tool. So-called structural equation modeling (SEM) is used in this study using the smart-PLS analysis tool. This study proves that product quality has a positive and vital impact on customer loyalty, service quality has a positive and critical impact on customer loyalty, customer loyalty has a positive and essential impact on purchase terms, product quality has a positive and critical impact on customer loyalty. Loyalty has a positive and significant impact. Product terms and rate have a positive and significant impact on purchase conditions

## **INTRODUCTION**

In this era of globalization, which is developing very rapidly nowadays, economic and business development also seems to be very fast with the increasing number of entrepreneurs in various industrial sectors. Indirectly it creates competition in all fields, especially now that almost all business fields are experiencing growth which motivates every business actor to be able to present products that match the expectations and needs of their clients, including product marketing which forces entrepreneurs to think creatively to be able to market their products. Effectively accompany quality service so that customers benefit from the quality services and products provided by the company.

The increase in international trading companies, especially the furniture world in Indonesia, is also extraordinary, the furniture industry is an industrial sector that is always developing in Indonesia. Furniture is an industry that works raw materials or semi-finished materials into finished goods which can be called furniture. With abundant sources of raw materials as well as skilled and agile craftsmen, the furniture business has considerable potential to grow and develop. The development of the world of furniture has made significant progress in terms of tools, materials, and innovative and creative designs. In Indonesia, there are many big cities on the islands of Java, Sumatra, or Kalimantan that produce quality furniture products, including Jakarta as the nation's capital.

PT Karya Laksana is a company engaged in furniture products. PT Karya Laksana located in Jakarta. With the development of innovation and design creativity in the world of furniture, PT Karya Laksana, even though it is still new, is still here to provide its best advantages and advantages so that it is able to keep up with very rapid changes and developments, here are the sales turnover data of PT Karya Laksana from April 2022 to February 2023:

Table 1. Sales Turnover Year 2022 to 2023

Month	Year	Turnover (in millions of rupiah)
Apr	2022	47
May	2022	108
Jun	2022	120
July	2022	177
Aug	2022	100
Sept	2022	240
Oct	2022	125
Nov	2022	148
Dec	2022	768
Jan	2023	135
Feb	2023	83

Source : PT Karya Laksana, 2023

As shown in Table 1 above, the company is likely to continue to grow while the current turnover is due to the COVID-19 pandemic affecting customer demand for product purchases.

To create a high purchase requirement for its products, PT Karya Laksana still has various limitations including the many client complaints related to the best service provided by PT Karya Laksana. As we know, if the desired quality of service does not match reality, the client will not buy again. Likewise for product quality, if the quality of the product is not good, it will result in the low terms of the client's purchase.

Based on these, the authors are interested in conducting a study on the Impact of Product Quality and Service Quality on Client Loyalty and Its Impact on Purchase Terms. Kotler and Armstrong (2016) state that a potential strategic weapon to beat competitors is called product quality. So, companies with high quality products are able to develop quickly, and in the long run the company will be bigger hit than other companies. This is in line with the study conducted by Shareef et al. (2016) who argue that product quality greatly impacts the terms of purchase made through clients and also Ardani (2019) who says that product quality has an impact on the terms of purchase of Nokia mobile phones.

## LITERATURE REVIEW

According to Kurniawan et al (2018), product quality has an impact on clients in buying a Smartphone product, in practice clients will observe product quality by digging up data quickly through the device. A product can be described as an intangible and precise set of attributes including color, price, popularity of the product, calls from the store that sells it (the store) and the manufacturing unit's services and retailer's services obtained through clients to fulfill their wants and needs. from the client.

Based on Kotler and Armstrong (2016) product quality is one of the basic market positioning tools. Product quality has a direct or direct impact on the service and overall product performance; consequently, quality is closely linked to client value. In a narrow sense quality can be defined as free from damage. Thus the explanation, improving the quality of products or services is a significant challenge for the company to be competent and become one of the significant factors driving economic progress in the world market.

According to Tjiptono (2016), operator satisfaction is the desired excess stage and managing the excess structure to complement client expectations. According to Arif (2015) service quality is a comparison between services that are perceived to be similar to or exceed the desired quality, so that these services can be claimed to be of high quality and satisfactory. According to Rachman (2017) it is also mentioned that Service Quality and Price have an impact on Purchase Terms.

According to (Raprayoga, 2016) service quality is an activity, or group of certain activities, which are usually intangible, that occur through the relationship between service facilitators and service users and the physical resources used to support the services provided by service facilitators.

According to Hijriah, et al (2015) service quality is a comparison between services that are perceived to be similar to or exceed the desired quality, so that the service can be claimed to be of high quality and satisfying.

According to Kotler (2016), "Service quality is a picture of how far the reality of the service (perceived service) is different from the client's desire for the service they should receive (expected service)."

There are five primary dimensions which are conceptualized based on their relative importance as follows:

1. Reliability. It's about the agent's ability to deliver the right offer from the start without error, and within the agreed timeframe.
2. Responsiveness. Regarding the potential and also the staff's willingness to help clients and answer their requests, as well as informing when a quote may be given after that offer a quote quickly.
3. Ensure. In particular, the character of the employees is able to encourage the consideration of buyers in the agency and the organization is able to create a sense of security for its clients. Ensure employees are also ethically skilled and provide the necessary understanding and skills to address buyer concerns or concerns
4. Tolerance. The way the agency understands the problems of its customers and works in the interests of the patron and gives non-public attention to the client and has comfortable working hours.
5. Physical evidence (tangible). Regarding the attractiveness of physical centers, gadgets, and materials used by business companies, as well as the emergence of officers.

Client loyalty has an important position in a company, in principle maintaining it means increasing financial performance and maintaining the continuity of the company's life because just as clients are clients who have high loyalty, things like this are the main reason for a company to maintain and protect its clients.

Griffin (2016) states that the notion of loyalty is more directed at character than character and loyal clients will show the character of a purchase that can be interpreted as an example of a normal and long-term purchase, which is completed through the unit maker or option. maker.

Terms of purchase is the idea in which each person evaluates various alternatives and decides on the product that suits that person and is suitable from the available options. According to Kotler & Armstrong (2014) states that the choice of acquisition is a stage in the client's choice-making system where the client makes the right purchase.

In line with Schiffman and Kanuk (2015) which states that purchase selection can be described as a preference or more than other ways of purchasing purchase options, which means that a person is able to determine, there must be several alternative alternatives. Decision making is an idea that is made after comparing various alternatives. In other words, for one to determine, there must be a choice of available opportunities. It is further claimed that through Tjiptono (2016), the terms of purchase are a way in which clients recognize their problems and needs, to then look for records about a particular product or symbol and

examine them properly where each choice or alternative is able to solve the problems they face, which then leads to the choice to shop for a product.

The impact of product quality on customer loyalty. Kotler and Armstrong (2016) found that product quality is a potential strategic weapon to overcome competition. Thus, corporations with high-quality products will thrive in haste, and in the end they may be more popular than other agencies.

A study conducted through Nurjannah Daulay (2017) show that good products have a beneficial and sizable impact on purchase loyalty. In conjunction with research conducted by Silvia Cendana Ratih Elok Wijaya (2017), good outcomes are of high quality and have a significant impact on purchase loyalty. Based on all previous studies, it is possible to formulate the following hypothesis: Hypothesis 1: Product quality has a fantastic and quite large impact on buyer loyalty

The impact of pleasant service on client loyalty. Tjiptono (2016) states that carrier first-rate is the anticipated excess level and manipulates the excess level to complement the client's wishes. As a result, if the client's wishes are fulfilled, the client will have loyalty to a product. This is a study conducted by Nurjannah Daulay (2017) which showed that pleasant service has a good effect on customer loyalty. Likewise, Silvia Cendana Ratih Elok Wijaya's (2017) research has established that customer satisfaction has a good and broad impact on purchase loyalty.. Based on the studies above, it is possible to formulate a speculation as follows:

Hypothesis 2: Service quality has a positive and broad (important) Impact on customer loyalty.

The effect of customer loyalty on purchases. According to Griffin (2016), the concept of loyalty refers to the character (behavior) rather than a mindset, and loyal customers exhibit buying characteristics that can be interpreted as examples of regular and long-term purchases by units or decision-makers. Research by Yocky Tanuwijaya (2013) shows that satisfaction has a significant positive effect on customer loyalty. As research conducted by Nurjannah Daulay (2017) shows that customer loyalty has a huge and profitable impact on shopping conditions. Based on the entire study above, it is possible to formulate a speculation as follows:

Hypothesis 3: Client loyalty has a positive and significant impact on purchasing terms.

Product quality impacts on purchasing terms. As stated by Kurniawan et al (2018) that great products have the power of clients in buying telephone products, in practice clients will observe products by having fast data access through their gadgets. This is in line with a study conducted by Ardhani, et al (2019) which showed that product advantages have a large high quality impact on purchase choices. This study is also consistent with research conducted by Kurniawan (2018), which showed that product satisfaction has a favorable and considerable influence on purchasing conditions. According to the previous study, it can be estimated as follows:

Hypothesis 4: Product quality has a large and broad impact on purchasing terms.

The impact of service quality on purchasing conditions. As stated by Arif (2015) that carrier great is an assessment between services that may appear identical to or exceed the desired first class, operators can be claimed to be very good and extraordinary. In this case, the right service will make someone feel happy and in the end will make a purchase provision for the product. This is in accordance with research conducted by Rachman (2017) which shows that pleasant services have a very large effective impact on shopping conditions. Likewise research conducted using Nurjannah Daulay (2017) This shows that carrier fines have a significant and comprehensive impact on purchase terms. Based on previous studies, the following hypotheses can be put forward:

Hypothesis 5: Service quality has a positive and important impact on purchasing provisions.

## **METHODOLOGY**

This study uses probabilistic analysis methods and aims to investigate hypotheses about the effect of one or more independent variables on the dependent variable. This study seeks to understand the impact of independent variables on the dependent variable. As Sugiyono (2014) pointed out, a variable that has a changing outcome or is affected by the presence of a (bound) variable is called an independent variable. Furthermore, it can describe the dependent variable by developing the affected and independent variables. Therefore, in a causal study, separate and dependent variables are affected. In addition to using any of the analytical methods mentioned above, researchers also use quantitative methods, where quantitative methods are methods of testing specific theories by examining the relationship between variables.

This study aims to analyze the impact of product quality and product quality on customer loyalty and purchasing conditions. The research variables used in this study are independent and dependent. Independent variables or independent variables are many symptoms that contain various factors or elements that can determine or influence the presence or absence of other variables. In this case, the independent variables are product quality (X1) and service quality (X2). The dependent variable or dependent variable is a variable caused by other variables. In this case the dependent variable is Loyalty (Z) and Purchase Terms (Y).

Segiono (2014) argues that population is a broad topic or object area with certain characteristics and characteristics identified by researchers. From this interpretation, it can be seen that the community observes the research conclusions. In this case, the people in this research are furniture customers of PT Karya Laksana.

According to Sugiono (2014), A sample is part of a population and its characteristics. The researchers used a non-probabilistic sampling technique because the likelihood of an organ being selected as a subject was unknown. The sampling method is convenient sampling. It has been explained that if the sample size is too large, the model can become very emotional and challenging to implement. Therefore, the sample size indicates that all latent variables are 5-10 times more significant. There are 30 research indicators in this study, and the sample size is at least five times the number of indicators  $5 \times 30 = 150$ , and the

maximum sample size is  $10 \times 30 = 300$ . Therefore, in this study, the researchers used a sample of at least 150 respondents.

Because the sample size is not small in this study, the researchers employed a convenience sampling technique. The sample size and the sample selection in this study were applied by random assignment to the respondents who happened to be interviewed. Found the author by accident.

The type of data used by researchers in this research is raw data. According to Rangkuti (2015), raw data is a direct source of information to collectors. The researcher also uses PLS (Partial Smaller Squares), structural equation modeling based on component or variance analysis, and part of the data processing using the least squares program (Smart-PLS) version 3.0. According to Hair (2015), PLS (semi-small squares) is an alternative to the Covarian-based SM model. PLS is designed with high complexity and low theoretical support for logical forecast analysis. The goal of PLS is to provide the best predictable online connection in the database. Although PLS can be used to test theory, it can also be used to explain the relationship between hidden variables. According to Gozali (2015), partial small squares (PLS) are a robust analytical method, so they are not based on multiple assumptions, so the data should not be routinely disseminated in multiple ways and should not be big sampled.

R-squared value. The R-squared model is a good test. The second one can be seen from the R-Square results that the hidden variables 0.67, 0.33, and 0.19 are in the structural model, and the test shows that the model is "good," "moderate," and "weak." A good model is an ideal model. Structural models in Goodness Internal Model use predictive relationships (Q2). An R-squared value  $> 0$  indicates that the model has a relevant value estimate..

Hypothesis (estimated combination of paths). Gozali (2015) should consider the relationship between pathways in the structural model. This useful value is available via bootstrap. Significance The hypothetical value of the T-statistical value must be greater than 1.96 in the Botsrap Report algorithm and the value of the measurement coefficient in the T-statistical value.

## RESULTS AND DISCUSSION

Based on the research method that has been discussed, the next step is to test the structural model which in Partial Least Square is called the Inner Model. This test is important for analyzing the correlation between external and internal variables described in the conceptual framework. The steps for testing the structural model are as follows :

The table below is the R-square value which is the goodness of fit model test as shown in Table 2 below:

Table 2. Test Results R-Square (R<sup>2</sup>)

Remarks	R Square	R Square Adjustment
Terms of Purchase	0.943	0.940
Client Loyalty	0.909	0.906

Source: Processed Data, 2023

In table 2 above it appears that the R-Square values are 0.943 and 0.909, which means the variability of the terms of purchase and client loyalty. This was found in two independent variables in the model, with 94.3% and 90.9%, respectively, in product quality and service quality, and the rest were described outside of this research model.

The suitability test for the structural model in the internal model uses the relational projection (Q2). A Q-Square value above 0 (zero) indicates that the model is predictable. In this study, the R-Square value of each internal variable is shown in Equation (1) as follows :

$$Q2 = 1 - (1 - R1)$$

$$Q2 = 1 - (1 - 0.943)$$

$$Q2 = 1 - 0.057$$

$$Q2 = 0.943$$

The above calculations show that the projected join value is  $0.943 > 0.00$ . This means that this variable represents 94.3% of the variance in the dependent variable, so the model is called the Predictive Study Model and Correlation Values. This can be said to have a positive effect. Path Coefficient Estimation Hypothesis In testing this hypothesis, estimates of path relationships in the structural model should be significant.

It can do this critical value through the bootloader. The significance of the hypothesis can be determined by looking at the reporting algorithm by increasing the numerical importance of the measurements and T.

To understand its significance, see Table T Alpha 0.05 (5%) = 1.96. Then compare the t-table with (t-statistics) as shown in the Bootstrapping Test Results Table below:

Table 3. Bootstrapping Test Results

Description	Original Sample	T-Statistic	P Values
Product Quality > Customer Loyalty	0.290	2.118	0.035
Service Quality > Customer Loyalty	0.675	4,774	0.000
Client Loyalty > Terms of Purchase	0.364	3.263	2.792
Product Quality > Terms of Purchase	0.321	2.792	0.005
Quality Service > Terms of Purchase	0.305	2.642	0.008

Source: Processed Data, 2023



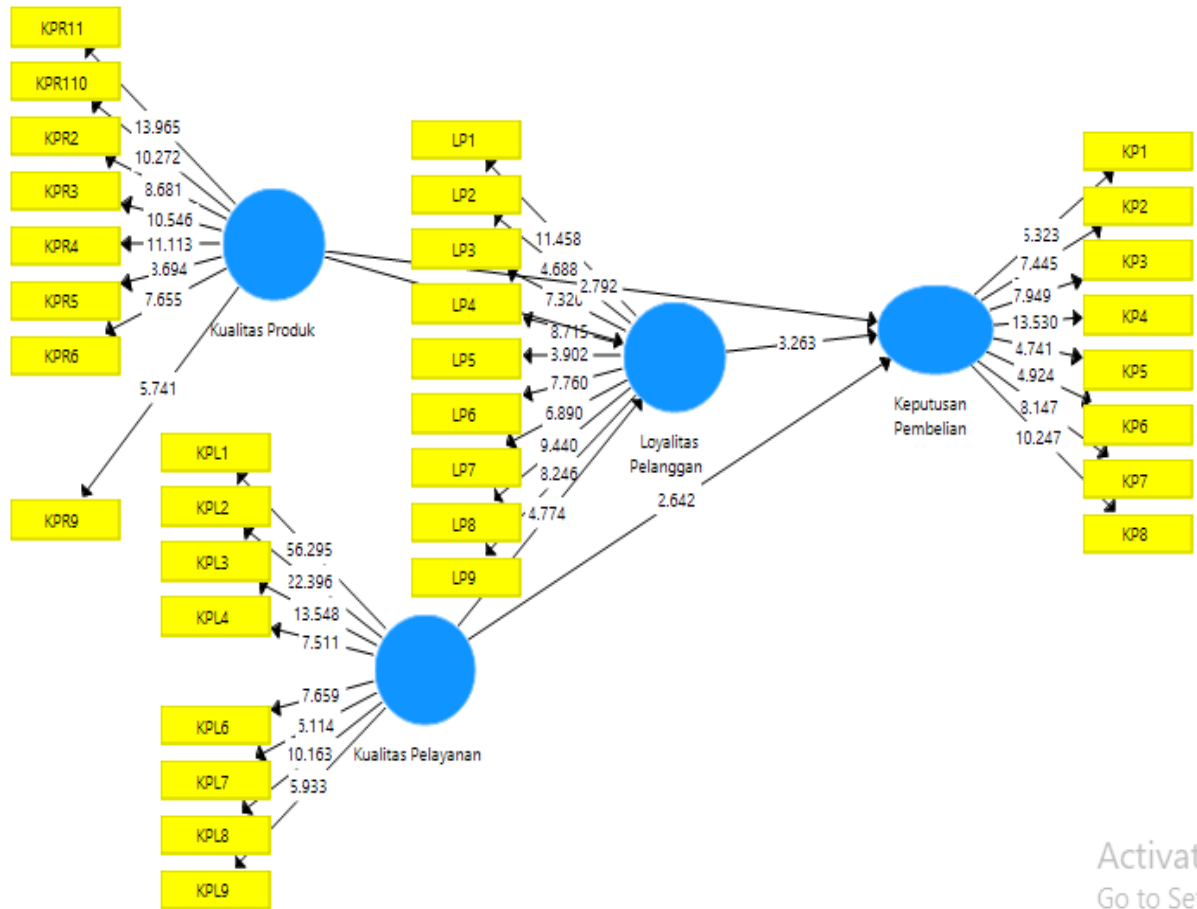


Figure 2. Bootstrapping  
 Source: Processed Data in 2023

Based on the analysis as shown in Table 3 regarding Bootstrapping Test Results and Figure 1. Bootstrapping above, in this section the results of the researchers' calculations will be discussed. This research aims to understand the factors that impact the terms of purchase. The test is shown through the existing hypotheses so that it is able to know how much impact each variable has on other variables.

The influence of product quality on customer loyalty. According to the hypothesis test found in this study, the T statistic value was 2.118, the initial sample value was 0.290, and the P-value was 0.035. The T statistic value was 1.96 higher than the T table value, the initial sample value was considered positive, and the P-value was less than 0.05. Based on the above results, the first hypothesis is proposed. It can conclude that product quality has a positive and beneficial effect on customer loyalty. Therefore, the higher the quality of a company's products, the more loyal its customers are.

The impact of service quality on customer loyalty. Based on the hypothesis of this study, the T-statistic value was 4.774, and the initial sample value was 0.675, P.0.000. The value of T-stat is greater than the value of T-Table 1.96, the value of the first sample is considered positive, and the importance of P is less than 0.05. Based on the above research results, a second hypothesis is established. Namely, it can conclude that service quality has a positive and beneficial effect on customer loyalty. The higher the quality of service provided by the company, the higher the loyalty of customers.

The impact of customer loyalty on purchases. Under the assumptions, the T-Statistics result is 3.263, compared to the original sample value of 0.364, with a P-value of 0.001. The T statistic value is 1.96 higher than the T table value, the initial sample value is positive, and the P-value is less than 0.05. The third hypothesis, customer loyalty, has a positive and significant impact on purchasing conditions from the above findings. The higher the customer loyalty, the higher the purchasing conditions.

The impact of product quality on purchasing terms. According to the hypothesis tested in this study, the T statistic is 2.792 compared to the original sample value of 0.321 and a P-value of 0.005. The T statistic value is greater than the value of Table T, 1.96 is the value of the first sample, and P is less than 0.05. These results conclude that the fourth hypothesis is accepted, namely that product quality has a positive and beneficial effect on purchasing conditions. The higher the quality of a company's products, the higher the purchasing conditions of its customers.

The impact of service quality on procurement. Based on statistics T value 2.642, initial sample value 0.305, P-value 0.008. The T-stat value is 1.96 higher than the T-table value, the sample value is positive, and the value is less than 0.05. The fifth hypothesis is that service quality has a positive and beneficial effect on procurement. Therefore, the higher the quality of the service provided by the company, the more purchase conditions the customer has.

## **CONCLUSIONS AND RECOMMENDATIONS**

Based on the overall complexity component along with the evaluation notes and dialogues offered above, some conclusions can be drawn as follows that Product quality has a positive impact on customer loyalty. It can be seen that product quality has an essential role in product quality. The better the quality of product, the more it will foster customer loyalty, Service quality has a positive impact on customer loyalty, it can be seen that the role of good operators in customer loyalty is significant. Customer loyalty has a positive and significant impact on purchasing terms. This shows that customer loyalty plays a vital role in customers. The higher the customer loyalty, the higher the purchasing conditions will be. Product quality has a significant positive impact on purchasing choices. It can see that product quality plays a vital role in procurement. The higher the quality of the product, the better the purchase conditions and The quality of service has a substantial impact on the terms of purchase. This shows that quality service plays a significant role in purchasing choice. The better the service, the better the purchasing options.

In addition, other research metrics from R-Square test 0.943 and 0.906, the variability of purchase terms and customer loyalty can be expressed as 3 independent variables in the model: product quality and service quality. 94.3% 90.9% and the rest are explanations outside of this study model. You can better study other variables that have not been studied before or have not been studied before. Other variables outside of this research model provide novelty for research fields, especially in the field of marketing management. In addition, the next suggestion is that researchers must be careful and observant in developing research models so that research results can be maximized.

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