

## The Effect of Product Quality, Service Quality, Service Recovery on Customer Satisfaction and Customer Loyalty in Business to Customer (B2C), Case Study of AMA Group Bandung

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**ABSTRACT:** The research has the aim of seeing the relationship and effect between the variables of Product Quality, Service Quality, and Service Recovery on customer satisfaction and loyalty at AMA Group Bandung which focuses on Business to Customer (B2C) and finding solutions to business problems that exist in AMA Group, namely the instability of AMA Group's sales revenue. This research includes quantitative and qualitative. In this study were AMA Group B2C customers Population. The sample was 100 AMA Group. Data collection using some techniques by researcher used include interviews, observation, internal analysis (Segmenting, Targeting, Positioning and Marketing Mix) and external analysis (PESTEL analysis, Competitor analysis), and also use customer analysis obtained through the use of questionnaires. The method used by researchers in this study using Validity analysis, Reliability analysis, Descriptive Analysis, and path analysis. Researchers in this study used an analytical tool is smartPLS. The analysis results by this researcher indicate that there is an influence between the variables of Product Quality, Service Quality, and Service Recovery on customer satisfaction and customer loyalty.

**KEYWORDS:** Product Quality, Service Quality, Service Recovery, Customer Satisfaction, Customer Loyalty, Marketing Segmentation, Market Targeting, Marketing Positioning, Marketing Mix, B2C Marketing, PESTEL Analysis.

### INTRODUCTION

AMA Group has supplied a wide range of pipe bending services in metal industry, as well as the fabrication roll and bending iron and steel and manufacture product like roofrack, canopy, fence. In AMA Group's business, marketing activities carried out by companies that have frequent frequency are Business to Customer (B2C). Business to Customer is an effort in transactions between consumers and companies (Wardhana, 2015). B2C can also be described as a retail model in a process of selling both products and services directly from business people to end consumers who will be used for personal consumption so that there is no intermediary between sellers and buyers. The form of relational marketing efforts aimed at consumers becomes logical in B2C markets when producers and consumers have a direct relationship with each other, potentially increasing the potential for large emotional bonds through economic exchanges. The involvement of consumers in a business relationship can be proven by their participation in loyalty (Edwards, 2004)



Figure 1 House Fence of AMA Group



Figure 2 House Canopy of AMA Group

The latest steel consumption in Indonesia released by the Indonesia Iron and Steel Industry Association states that there has been an increase in continuity from the last five years. AMA Group, which is based in West Java Province that also provinces with a large demand for steel in Indonesia. However, the largest sales are not on the B2C side such as manufacturing and home roll and bending. Even though the frequency of daily customers in AMA Group is mostly B2C Customers. Researchers in this case are interested in discussing the problems that occur in the effect and relationship between Product Quality, Service Quality, and Service Recovery on Customer Satisfaction and Customer Loyalty.

This research can be a reference and the results can make a solution so that the problems that exist in AMA Group can be useful to future researchers who will conduct next research.

### LITERATURE REVIEW

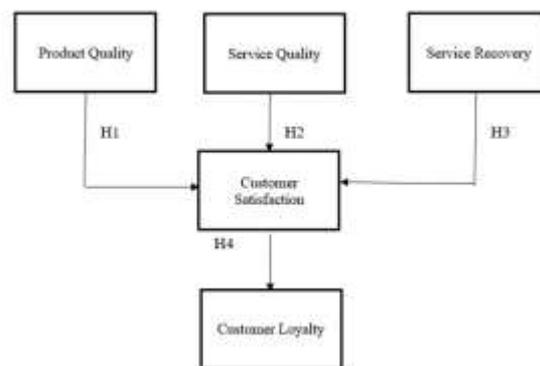


Figure 2 Conceptual Framework

In the figure above, it is explained that the researcher uses five variables that have a relationship with each other which comes from the problems experienced by AMA Group. Determination of these variables will later provide assistance to researchers so that researchers can find solutions to problems that occur at AMA Group. The five variables include Product Quality, Service Quality, Service Recovery, Customer Satisfaction, and Customer Loyalty.

#### 1. Product quality

Product Quality is a characteristic and characteristic of goods and services that have an influence in providing direct satisfaction of stated needs (Sari, 2016). Product quality is an effort to the product's ability to carry out its uses including reliability, durability, ease of operation, and also accuracy and other attributes that have a correlation (Kotler and Armstrong in Lenzun et al, 2014).



2. Service Quality

Service Quality is an opinion formed from consumers on the experience of various services in a product and will affect the formation of customer satisfaction (Zeithaml, Bittner, and Graml, 2009). The analogy of service can be carried out according to and achieve expectations and expectations, it will provide customer satisfaction so that the service can be considered as good service.

3. Service recovery

Service recovery events occur due to service failure (Zeithaml, 2012). Service recovery carried out by the company is good choice when the company experiences a mistake and is expected to make improvements both to the product and to the services provided to customers.

4. Customer Satisfaction

Customer Satisfaction happen if Customers will feel a sense of satisfaction when product performance exceeds expectations and expectations (Kotler, 2014: 10).

5. Customer loyalty

Customer loyalty is an implication when overall customer satisfaction has been achieved. Customer loyalty can be seen as a comprehensive commitment from customers to be able to make future purchases of both products and services (Winarso, 2010).

METHODOLOGY

The research used by this researcher has a verification method has the aim of revealing whether or not a hypothesis can be accepted or rejected by testing the theory and trying to determine scientifically in a method, namely by giving the status of a hypothesis in a conclusion (Sugiyono, 2013: 36). This verification method can be said to be a study to test various kinds of theories that produce hypotheses whose results will be accepted or not. In this verification research method used by the author in answering various existing problem formulations so that it can find out how the influence between one variable and another variable. Researchers in conducting this research also use interviews with other actors involved so that in the end it can be combined with the verification method so that it can produce a strategy formulation that can be used as a solution that can be applied to the company in the future. The population of this study was 100 people so that it had a large enough number. Researchers used samples in this study to facilitate researchers in managing data in this study. The sample has a character and amount that includes the population so that the number of samples taken must have representation in the population taken from the study. The greater samples number taken by researchers, the less likely the resulting error. The samples taken by researchers in this study must represent the population of customers who have a correlation with AMA Group.

RESULT AND DISCUSSION

Regression analysis can be used in assessing the causality of the relationship between known or identified variables using a theory known as route analysis, which here is an attempt to extend multiple linear analysis (Ghozali, 2013: 249). Path analysis is also another component of a regression analysis in research. Regression analysis is generally carried out in seeing whether the independent variable has an impact that occurs directly on the dependent variable. Path analysis can also evaluate if the independent variable has an indirect influence on the dependent variable via the mediating variable, in addition to direct testing.

Table 1. Path Direct Effect Analysis

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV)	P Values
CS -> CL	0.699	0.700	0.047	14.822	0.000
PQ -> CS	0.326	0.330	0.078	4.178	0.000
SQ -> CS	0.340	0.340	0.072	4.736	0.000
SR -> CS	0.347	0.346	0.068	5.099	0.000



The author in the table above explains that there is a direct effect and direct interaction by having a significant p value. The significant p value is indicated because the p value is  $\leq 0.05$ . So that the relationship between variables has a positive condition. That way, researchers in this study who have discussed 4 hypotheses show that the results of H1, H2, H3, H4 are accepted.

A conclusion for that analysis can be described as follows:

That way the researcher concluded that the conclusions of the analysis were explained among others:

- Hypothesis 1 is accepted, which means that Product Quality (PQ) has a positive and significant correlation with Customer Satisfaction (CS).
- Hypothesis 2 is accepted which means that Service Quality (SQ) has a positive and significant correlation with Customer Satisfaction (CS)
- Hypothesis 3 is accepted which means that Service Recovery (SR) has a positive and significant correlation with Customer Satisfaction (CS)
- Hypothesis 4 is accepted, which means that Customer Satisfaction (CS) has a positive and significant correlation with Customer Loyalty (CL).

This partial test has the aim of being able to test whether each independent variable has a partial influence on the dependent variable. Researchers in this test can make a comparison of the t statistic with the t table which is explained as follows:

1. If the value of t count > t table, then the independent variable has an influence on the dependent variable.
2. If the value of t count < t table, then the independent variable has no influence on the dependent variable. The hypothesis assessed in this portion is:

**Table 2. T Test Partial**

Variable	T Statistics ( O/STDEV )	P Values
<i>Customer Satisfaction (CS) -&gt; Customer Loyalty (CL)</i>	14.937	0.000
<i>Product Quality (PQ) -&gt; CL</i>	5.915	0.000
<i>Product Quality (PQ) -&gt; Customer Satisfaction (CS)</i>	10.970	0.000
<i>Service Quality (SQ) -&gt; Customer Loyalty (CL)</i>	8.962	0.000
<i>Service Quality (SQ) -&gt; Customer Satisfaction (CS)</i>	13.820	0.000
<i>Service Recovery (SR) -&gt; Customer Loyalty (CL)</i>	5.032	0.000
<i>Service Recovery (SR) -&gt; Customer Satisfaction (CS)</i>	12.817	0.000

Based on the table above, researchers in this study found that all significance <0.05, and t count > t table, which means that all hypotheses in this study can be accepted.

Product Quality has a positive correlation with customer satisfaction in the AMA Group. Consumers are happy when a product meets or surpasses their expectations and desires. The most basic criterion for customer satisfaction and competitive success is quality. To meet customer expectations, organizations of all sizes must prioritize quality and implement quality standards.



The testing of the second hypothesis revealed that service quality at the AMA Group positively correlated with customer satisfaction. Service quality is the satisfaction of consumer expectations or demands, which compares results against expectations to evaluate if consumers received excellent service. For items that require physical services, service is an essential component of the product's value and the satisfaction could come from that.

According to the third hypothesis, service recovery is positively correlated with customer satisfaction in the AMA Group. Every industry strives to do their best in its business, which includes understanding customers and potential customers are, expectation from service, and what customers could expect from the company if something goes wrong. Any company's service framework should meet the expectations of its customers about service recovery.

According to the fourth hypothesis, in the AMA Group, satisfaction is positively correlated with customer loyalty. Loyalty is the likelihood of consumers returning and their readiness to work with the company organization. Customer loyalty is an important aim for the marketers. Customer Loyalty is core of the customer satisfaction.

## CONCLUSION

Researcher on this research has a conclusion that the research results found a finding in the customer analysis which states that hypothesis 1 is accepted that there is a positive correlation between product quality and B2C customer satisfaction at AMA Group. That way the quality of the products produced by AMA Group must meet customer needs with the appropriate specifications that customers want so that customers can feel satisfied by AMA Group products.

Researchers in this study found a finding stating that hypothesis 2 is accepted that there is a positive correlation between service quality and B2C customer satisfaction at AMA Group. That way, AMA Group's service quality must be as required by company regulations. The importance of having a written Standard Operational Procedure in order to provide the main service and can satisfy customers.

Researchers in this study found a finding stating that hypothesis 3 is accepted that there is a positive correlation between service recovery and B2C customer satisfaction at AMA Group. Every AMA Group employee must provide the best service recovery in AMA Group aftersales. This is necessary if AMA Group has failed to meet customer expectations, thus creating dissatisfaction for customers.

Researchers in this study found a finding stating that hypothesis 4 is accepted that there is a positive correlation between customer satisfaction and B2C customer loyalty at AMA Group. AMA Group must fulfill customer satisfaction must be fulfilled properly by AMA Group. That way it will have implications for customer loyalty to continue using AMA Group services.

In Internal Analysis of AMA Group, it was found that B2C sales have increased although it has not been as significant as before the pandemic in 2019. The absence of Standard Operation Procedures can have an influence on the quality of service at AMA Group because so far there are no standard rules governing the Standard Operational Procedures. Although so far it has been running well, clear and written Standard Operational Procedures can boost customer satisfaction and customer loyalty for AMA Group. The marketing strategy is not so clear that AMA Group has not been able to reach more potential customers. This happens because there is no marketing division in the company so that marketing activities have been carried out by all employees and not all employees understand marketing knowledge that can improve the business performance of AMA Group. In the external analysis, there are also a number of correlations that direct that there is an effect on B2C sales that have not experienced a significant increase in recent years which are also influenced by external factors including competitors from AMA Group.

## RECOMMENDATION

Based on the results above, the author highlights several important points as below:

1. AMA Group does not have Standard Operational Procedures to maintain the quality of service
2. AMA Group does not have marketing division
- 3.

With the points above, researcher brings recommendation to make standard operational procedures to maintain the quality of service in AMA Group. Researcher also brings recommendation for AMA Group to create marketing division to make marketing strategy and boost sales for AMA Group.



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