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Effects of Service Quality, Trust, and Price on The Satisfaction And Loyalty of Customers of PT. Telkomsel In Makassar

Milka Pasulu

ABSTRACT: *This research aim to be examine and analyze the effect of quality service, trust and price to customer satisfaction in PT. Telkomsel branch of Makassar, and too examine and analyze the effect of quality service, trust and price on customer loyalty in PT. Telkomsel at Makassar. To apply that goal then used data collection technique through documentation and questionnaires, with taking population that costumer of Telkomsel that holds cards simPATI, As, and HALO, this use one year and domiciled in Makassar city which amounts 47.173 people and taking a sampling with propotional random sampling which amounts 180 people and used data analyze technique Structural Equation Modeling (SEM) with used the help of software Amos release 22. The result of research showed that the quality of service give positive and significant impact on customer satisfaction and loyalty. Trust also give positive and significant impact on customer satisfaction and loyalty while price give negative impact on customer satisfaction and loyalty which by increasing. The price by telkomsel through increased credit rates will affect customer's satisfaction and loyalty. From the result of this research support the old result of this research and supporting theory where overall research variable with indicators that form question in questionnaire all have an impact on customer satisfaction and loyalty although the variables must be through satisfaction to reach customer loyalty and these variables into a unity.*

Keywords: *quality of service, trust, price, customer satisfaction and customer loyalty*

I. INTRODUCTION

Information and communication and technology in Indonesia developed very rapidly. This can be seen from the construction of internet backbone network in Eastern Indonesia, which connects 440 cities throughout Indonesia. And, that mobile device infrastructure has encompassed 80% of the islands in Indonesia and more than 110 million mobile phone connections have made the people and different organizations across the country easily connetced to one another.

So far there has been a large number of telecommunication operators in Indonesia. Achmad Rouzni Noor II (Detikinet Tuesday, 25 June 2013) stated that Indonesia is currentley crawled by 10 telecommunications operators, namely Telkom, Telkomsel, Indosat, Excelcomindo (XL), Hutchison (3), Sinar Mas Telcom, Sampoerna Telecommunication, Bakrie Telecom (Esia), Mobile-8 (Fren), and Natarindo Cell Phones (formerly Lippo Telecom). Consequently, the level of competition among them is very tight. Since the last few years customers have been surrounded by a variety of attractive advertisements of telecommunication products. Different providers are offering enticing prices that result in tough tariff-competition. The tariff war has made customers change their choice on telecommunication service provider from one to another because of the influence of highly competitive prices offered. Although Act No.36/1999 on Telecommunications has outlined strict regulations for competition in the Indonesian telecom market, sparkling ads and rampant tariff wars just keeps taking place. Customers should be alerted from such the situation. They should be selective and make thorough considerations before purchasing a service offered buy an operator.

Vigilance and thoroughness of consumers in choosing from various competitive products require telecommunication service providers to improve their marketing strategies to elevate their competitiveness.Telkomsel is one of the oldest telecommunication service providers in Indonesia that is currently experiencing an intense competition, a situation that makes the corporate transform itself in every aspect including developing its marketing strategy. In marketing their products to consumers, companies should rely not only on the variety of products but also quality service and customer trust for bringing about satisfaction and loyalty of customers. According to Chandra (2002:6), a marketing concept emphasizes the importance of customer satisfaction to support an organization in succesfully achieving its goals.Based on the background above, the study was fouced on the effects of service quality, trust, and customer satisfaction and loyalty to the PT. Telkomsel in Makassar.

II. THEORETICAL BACKGROUND

1. Services Marketing

Marketing services is something that can be identified separately, intangible, and offered to meet needs. Services can be generated by using tangible or intangible objects (Stanton, 2008). Bitner (2000) argued that marketing service was an economic activity whose products were not consumed at the time of production and provided value-added (for example, entertainment, enjoyment, casual), and is not tangible. Meanwhile, Miller and Layton (2000) stated that marketing services was a total system of business activities that was designed to plan, set a price, promote and distribute products, services, and ideas that had to satisfy target market for achieving organizational goals.

2. Quality of Services

Quality of service is a driver of multidimensional customer-satisfaction. There have been many studies that tried to explore the dimensions of service quality. In essence, each of the studies was aimed at addressing two questions, what the dimensions of service quality are, and which dimensions significantly contribute to generating customer satisfaction.

Quality of service is a long-term cognitive evaluation of customers on the delivery of services of a company. The definition of service quality is centered on addressing the needs and desires of customers and accuracy of delivery to keep pace with customer expectations.Quality of service is one of the key factors in winning competitive advantage. To achieve the desired quality of service, a company should meet customer needs. Tjiptono (2005:59) claimed that the quality of service was something that was centered on addressing the needs and desires of customers. Thus, the quality of service is to fulfil the needs and desires of customers who use the service, and provide services in appropriate manners.

The concept of service quality is the focus of assessment that reflects consumer perceptions on the five physical dimensions and performances of services. Kotler and Keller (2009:57) mentioned five dimensions used to measure quality of service, as follows:

a. Reliability, the ability to reliably and accurately actualize promised services.
b. Responsiveness, the willingness to help customers and provide timely services.
c. Assurance, the knowledge, courtesy, and ability of employees to demonstrate trust and confidence.
d. Empathy, a state of paying personal attentions to customers.
e. Tangibles, the appearance of physical facilities, equipment, personnels, and communication materials.

3. Customer Trust

Trust is one's willingness to rely on others with whom she/he is confident. Trust is a mental state that is based on one's situation and social context. When a person takes a decision, he would prefer a decision that is based on the choice of people he can trust more than those less believed.

Trust is a psychological state by which a person is willing to accept anything as it is on the basis of his/her expectations of others with good behaviors. Consumer confidence is defined as the willingness of parties to accept the risk of other parties' actions on the basis of the assumption that they (the other parties) do good acts for the sakes of consumers who trust them regardless of the ability of consumers to supervise and control their actions.

According to Pavlou (2002), trust is an assessment over one's relationship with others, who will perform expected specific-transactions in an environment that is full of uncertainties. A trust occurs when a person is confident with the reliability and integrity of the people he/she trusts.Trust is build up by parties that have not known each other well in interaction or transaction activities. McKnight, et al. (2002) stated that there were two dimensions of consumer confidence, as depicted below.

a) Trusting Belief

Trusting belief is the extent to which a person believes and feels confident with other persons in a situation. Benevolence is the perception of those that believe (consumers) in the trusted parties (sellers' virtual store) who have characteristics that consumers would benefit from. McKnight, et al. (2002) mentioned three elements that could form trusting belief, namely benevolence, integrity, competence.

1. *Benevolence*
   Benevolence (goodwill) means how much a person believes in a seller to act properly for him/her. Benevolence is a willingness of a seller to serve interests.
2. *Integrity*

Integrity is how confident someone with the honesty of a seller to maintain and fulfill the agreements that have been made with consumers.

3. Competence is a person's belief in the ability of a seller to help consumers in doing things on the basis of consumers' needs. The essence of competence is how successful a seller produces what consumers expect. Core competence is the ability of a seller to meet the needs and desires of consumers.

b) Trusting Intention

Trusting intention is a state by which someone is ready to rely on others in a situation; this applies individually against others. Trusting intention is based on a person's cognitive beliefs to others. McKnight, et al. (2002) identified two elements that could form trusting intention, that is, (1) willingness to depend and (2) subjective probability of depending. Trusting intention is divided into several parts as described in the following.

1. *Willingness to depend*
   Willingness to depend is the willingness of consumers to rely on sellers; they are willing to take any risks or negative consequences that may occur.
2. *Subjective probability of depending*

Subjective probability of depending is a willingness to provide personal information to seller, do transaction, and willingness to follow any advice or meet the requirements made by sellers.Customer trust is one of the factors that lead to the formation of long-term relationships based on trust. Berry in Ismail (2014) claimed that the factors on which to base the creation of confidence in a company is perception on competence and honesty of a company. Based on their other study, Berry, Parasuraman and Zeithaml, stated that competence of service companies was an important measurement that underpinned consumer trust (Ismail, 2014:46). Accordingly, the indicators used in measuring consumer trust are:

a. Company competence.
b. Company honesty.
c. Company reliability.

4. Price

Price is the only element of marketing mix that provides income or revenue for a company. From a marketing perspective, price is monetary units or measures (including goods and services) that are exchanged in order to obtain ownership rights over the use of goods or services. This view is consistent with the concept of exchange in marketing.

Price is another component that directly influences corporate profits. Pricing contributes to the quantity of goods sold. Also, it indirectly affects costs as the quantity of goods sold count for costs incurred in relation to production efficiency. Therefore, pricing is responsible for generated total revenues and total costs. That is why decision and pricing strategy play crucial roles for a company.

The price is actually a stated value in a currency or medium of exchange against specific goods. In fact, a value or price is not only determined by physical factors but also other factors that contribute to pricing.According to Kotler and Armstrong (2013:52), price is an element of marketing mix that can generate revenues. Kotler and Armstrong (2013:278) argued that there were three indicators used to measure price, namely:

a. Affordability.
b. Conformity between price and product quality.
c. Conformity between price and with benefit.

5. Customer Satisfaction

Irawan (2004:37) claimed that customer satisfaction was determined by customer perception on performance of products or services in meeting customers' expectations Customers feel satisfied if their expectations are met or exceeded. The key question is actually 'what makes customers satisfied?'Customer satisfaction, according to Rangkuti (2005:30), is defined as customers' responses to the discrepancy between their expected level of interest and the actual performance they found.

Schnaars (1991), quoted by Wijaya (2011:2), said that customer satisfaction could provide several benefits; for example, it could create a harmonious relationship between company and customers; it could make buyers do repeated purchases; and it could build up customer loyalty as a result of mouth-to-mouth recomendation (word of mouth), which turns to be an advantage for a company.

Tjiptono and Chandra (2005:217) argued that customer satisfaction was determined by the ability of service providers to meet customers' expectations. Therefore, customer education program is crucial for an organization to achieve success. Based on the definition, satisfaction is a function of perceptions on performances and expectations. If the performance is below expectations, customers will not be satisfied. On the contrary, if a performance meets expectations, customers will be satisfied.

Hasan (2014:99) asserted that factors that drove a customer to make decision was hospitality, willingness to help, and responsiveness level of emloyees in providing services. Aside from this view, the indicators used in measuring customer satisfaction are:
1. Perceived quality
2. Perceived value
3. Customers' expectation

6. Customer Loyalty

Customer loyalty, according to (Kotler & Keller, 2008; Hasan, 2008:79), is a behavior that is associated with the brand of a product, including the possibility of renewing a contract brand in the future, the possibility of customers to hold back their support for the brand, and the possibility of customers to strengthen the positive image of a product. If the product is not capable of satisfying customers, customers will react by *exit* (customers stop buying a certain brand or product) and *voice* (customers express dissatisfaction directly to a company).

Sutisna (2003:41) mentioned that loyalty could be classified into two groups: brand loyalty and store loyalty. For example, for a consumer who makes purchases of a single brand of a product very often, there will not be any other alternative brand to purchase but the product brand they have always purchased. When the product brand is not available in the nearby stores, she/he will keep trying to find it even if it is at a distant place. If the brand is not available, and the sales clerk says that it will come a few days later, she/he will be willing to wait. Consumers having such a behavior of purchase can be called very loyal to the brand of choice (brand loyalty).

Loyal customers are the most important asset for a company. Griffin in Hurriyati (2005:130) mentioned that the indicators used in measuring customer loyalty were:
1. Regular purchase.
2. Purchase outside the line of products/services.
3. Recommendation to others.

III. RESEARCH METHODS

The population of this study was customers of PT Telkomsel in Makassar. The testing on the models applied maximum likelihood estimation (MLE) and analysis of structural equation modeling (SEM). The sample taken by proporsional purposive sampling method, and the software used was AMOS on 180 respondents.

Research results

The results of statistical analysis can be seen from the values of test model of *goodness of fit*, that is, GFI= 0.927, AGFI= 0.898, TLI= 0.993, CFI=0.994, RMSEA= 0.018 and CMIN/DF= 1.057; all the values were in the the expected range so that the model could be accepted.

The results of the study were as follows. (1) Quality of service significantly affected the satisfaction of customers of PT Telkomsel in Makassar. The service quality was measured by five indicators, namely reliability, responsiveness, assurance, empathy, and tangible. This result implied that good service quality increase customer satisfaction, and this supports the theory set forth by Zeitham et al. (2010); Kotler (2008); Parasuraman, et al. (1998). (2) Trust significantly affected the satisfaction of customers of PT Telkomsel in Makassar. The company trust was measured by three indicators, namely competency, honesty, and reliability of the company. The result indicated that the presence of customer trust increase customer satisfaction, supporting the views of Pavlou (2002), Lim et al. (2001), and McKnight et al. (2002). (3) Prices affected not significantly on the satisfaction of customers of PT. Telkomsel in Makassar. The product prices were measured by three indicators, i.e. affordability, the conformity between price and product quality, and the conformity of between price and benefits. The result suggested that price changes do not trigger the presence or absence of customer satisfaction, consistent with the views of Rahman (2010), Kotler and Armstrong (2013). (4) Quality of service significantly affected the loyalty of customers of PT. Telkomsel in Makassar; this means that good service quality elevates customer loyality, and this was consistent with the claim of Tjiptono (2005) that an outstanding service quality could build up the loyalty of customers. (5) Trust had significant impacts on the loyalty of customers of PT Telkomsel in Makassar; this implied that the presence of customer trust could increase customer loyalty, consistent with the findings of Erna (2013) that trust had significant and positive effects on customer loyalty. (6) Prices had significant negative-effects on the loyalty of customers of PT. Telkomsel in Makassar; this suggested that price increase reduce customer loyalty and vice versa. This goes along with the principles of economy that if prices decline, the number of demands will rise, and this supports the economic theory of Angipora (2002). (7) Customer satisfaction significantly affected the loyalty of PT Telkomsel in Makassar. The customer satisfaction was measured by three indicators, i.e. perceived qualities, perceived values, and customer expectations. This advises that the presence of customer satisfaction increases customer loyalty; and this is consistent with research finding of Erna Wahyuningsih (2013).

IV. CONCLUSIONS AND SUGGESTIONS

1. Conclusions

a. Service quality significantly affected customers' satisfaction of PT. Telkomsel in Makassar. The results of this study demonstrated that good service quality increased customer satisfaction, and supported the theory of Zeitham et al (2010); Tjiptono, (2005); Kotler (2008); Barata (2006), Parasuraman, et al., (1998), Usmara (2003).
b. Trust significantly affected on the satisfaction of customers of PT. Telkomsel in Makassar. This suggested that the presence of customer trust would increase customer satisfaction, and accords to the theory of Pavlou (2002), Doney and Canon (2007), Lim et al. (2001), McKnightet al. (2002).
c. Prices affected not significantly on the satisfaction of customers of PT Telkomsel in Makassar. The study indicated that price changes did not trigger the presence or absence of customer satisfaction, and this was in line with the theory of Rahman (2010) and Kotler and Armstrong (2013).
d. Quality of service significant affected the loyalty of customers of PT. Telkomsel in Makassar. This implied that good quality of service would increase customer loyalty, and this is consistent with the view of Tjiptono (2005) that outstanding service quality could create customer loyalty.
e. Trust significantly affected the loyalty of customer of PT. Telkomsel in Makassar. This means that customer trust would increase customer loyalty, and this goes along with the findings of Erna (2013) that trust significantly and positively affected customer loyalty.
f. Price had significant negative-effects on the customer loyalty of PT. Telkomsel in Makassar. This indicates that price increase would reduce customer loyalty and vice versa. This is suitable with the principles of economy claiming that if prices decline, the number of requests would rise, supporting the economic theory of Gitosudarmo (2003) and Angipora (2002).
g. Customer satisfaction significantly affected the loyalty of customers of PT Telkomsel in Makassar. This shows that customer satisfaction would increase customer loyalty. This is consistent with the research findings of Erna Wahyuningsih (2013).

2. Suggestions

It was suggested that PT. Telkomsel improve its service quality by offering more service facilities and improving the skills or knowledge of its employees to increase its customers' satisfaction, which in turn would create the loyalty of its customers in using its services. It was also recommended that PT. Telkomsel keep its promises to consumers. Furthermore, PT. Telkomsel should pay attention to price aspect (call tariff) so that it could be more competitive against the prices offered by other telecommunication service providers.

The findings obtained in this study can be made a consideration to carry out further research so that the development of science, especially the science of marketing management of telecommunication services would develop in line with the development of relevant issues. It was suggested that other researchers include other factors that might affect customer satisfaction and loyalty, and take bigger number of respondents in their research on the similar issue.

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