# Service Quality and Location towards Customer Value and the Effect on Customer Satisfaction

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*Abstract*—**This research aims to analyse the influence of service quality and location towards customer value and the effect to customer satisfaction. The problem on this research is to find out how to increase the customer value in order to raise up customer satisfaction in line with the expectations. The population on this research is the out-patients care in regional hospital of Doctor Soeselo, Tegal district. In this case the selection for the sample itself is determined based on characteristics, namely first, the respondents are patients or close relatives. Second, the respondents are the people that already used the health service in this hospital more than once, both personally or family such as husband, wife and children. Data analysis on this research used multiple linear regression analysis and to test mediation used Sobel Test. The result revealed that service quality has positive effect and significant toward customer value. That means the better service quality will increase the customer value. Location was found not influence toward customer value. Service quality has a positive and significant effect on customer satisfaction. Means, the better of service quality will increase customer satisfaction. Location was found not influence toward customer satisfaction. Customer value has a positive and significant toward customer satisfaction. So the better customer value will make customer satisfaction increase. The result of mediation test using Sobel test shows that customer value mediates the effect of service quality on customer satisfaction.**

*Keywords—service quality; location; customer value; customer satisfaction*

## I. Introduction

So far many studies assume that realizing customer satisfaction, in every aspect and marketing activities of an enterprise is an important work that must be realized. But to realize customer satisfaction, it is not an easy job that can be completed in one day. To realize customer satisfaction, according to Yang and Peterson [1] and Evans [2] the company must develop customer value as aspects and activities of corporate marketing. Although, customer value is an important element in customer satisfaction as a step towards customer satisfaction. But in the future, need more research that can describe the process and mechanism of how customer satisfaction can be realized in the construction of customer value. Donovan et al. research shows that in the increasingly tight business competition along with environmental changes, especially in the service industry, therefore, customer

satisfaction is the key for the company to survive and be sustainable [3]. The concept of customer satisfaction has been accepted and received special consideration in marketing and consumer behaviour literature.

Customer satisfaction is a success in marketing that can increase the company's overall profits. Marketers also have to concentrate on customer behaviour because many influences can be detrimental from customer dissatisfaction. Customer satisfaction is important for the survival of the company. According to Bejou et al. [4] and Lam et al. [5], customer satisfaction is an absolute price for the company and becomes the main demand of customers. The company that cannot provide superior value that expected by customers will be left by the customer. Therefore, the future research is needed to examine more in the topic of customer satisfaction.

Service quality, serves as a guideline for the direction of the company in completing and fulfilling each customer's needs and expectations, even though it is not an easy job [6]. The researchers assume that having service quality is a major achievement. Therefore, researchers position service quality in order to achieve customer satisfaction. While service quality, customer satisfaction is defined as the difference (gap) between consumer perceptions and expectations [7]. Consumers will have a positive perception, if the service provider meets or exceeds of what is expected by consumers.

The gap between Jayachandran [6] and Robledo [7] studies, shows important findings on the development of service quality measurements. They gave important notes in their research, especially for customers, that start to be a significant change in SERVQUAL demands that were in line with customer expectations. So far, SERVQUAL (tangibility, reliability, responsiveness, and assurance also empathy) that offered by the company have not met the expectations and even the value of the services offered is still far from customer needs. The presence of service quality that is in line with customer needs and expectations is a major contributed factor to customer satisfaction. This is in accordance with Thurau [8] and Grapentine [9] that service quality based on customer needs and expectations standard are something that is absolute and urgent to be realized in every company. Although many companies are aware of the service quality, there are still many companies that feel that they have failed in managing

SERVQUAL. Therefore, SERVQUAL becomes an important topic to refer for future research.

The formulation of this research problem is how to increase customer value so that customer satisfaction increases in line with expectations.

## II. METHODS

### A. Data Resource

Data sources in this study were primary data sources, namely data obtained directly from the original source (not through intermediary media). In this study the primary data obtained through questionnaires given to respondents in this case are the out-patients or the closest family of out-patients at the regional hospital (RSUD) Dr.Soeselo in Tegal district.

### B. Population and Sample

The population in this study were patients or close relatives of patients at regional hospital (RSUD) Dr.Soeselo in Tegal district. The population number of patients / close family in regional hospital (RSUD) Dr.Soeselo in Tegal district, is unknown.

In this case the sample selection is determined based on characteristics, namely first is respondents are patients / close relatives. Second is respondents have or have used health services at regional hospital (RSUD) Dr.Soeselo in Tegal district are more than one time, both personally and family (Husband, Wife, and Child).

### C. Variable Operational Definition and Variable Indicators

Service Quality Dimensions and Indicators are as follows:

#### 1) Tangible
- Modern and complete health equipment facilities; (X1.1)
- The treatment room facilities are attractive, clean and comfortable; (X1.2)
- All employees look neat and professional. (X1.3)
- An adequate parking service facility so that the patient's family is easy and safe. (X1.4)

#### 2) Reliability
- The hospital provides services as promised: (X1.5)
- Reliable in serving customer problems; (X1.6)
- The right service to customer from the beginning ; (X1.7)
- The hospital provides services at the time as promised; (X1.8)
- All arrangements regarding the occurrence of an error, without being charged; (X1.9)
- Employees have knowledge to answer customer questions. (X1.10)

#### 3) Responsiveness
- Fast response to the patients (X1.11)
- Quickness of handling patients; (X1.12)
- Able to provide information about patient health regularly; (X1.13)
- Fast in response to patient's requests. (X1.14)

#### 4) Assurance
- Credibility of hospital management is good; (X1.15)
- Hospital environmental safety; (X1,16)
- The credibility of employees is polite and consistent. (X1.17)

#### 5) Empathy
- Medical staff can pay attention to patients; (X1.18)
- Employees always care about patients and their families; (X1.19)
- Employees are able to provide services to patients and their families with heart; (X1.20)
- The medical understands patient needs; (X1.21)
- Serve patients pleasantly. (X1.22)

#### 6) Location indicators
- Low transportation costs; (X2.1)
- Very easy to reach by customers; (X2.2)
- Can lead to customer loyalty. (X2.3)

#### 7) Customer value indicators
- Functional Value; (Y1.1)
- Economic Value; (Y1.2)
- Emotional Value; (Y1.3)
- Sacrifice Value; (Y1.4)
- Comparative Value; (Y1.5)

#### 8) Satisfaction indicators
- Patients like to make a transactions
- Based on experience, satisfied patients would make transactions
- Services have met the expectations
- Overall believe that service is not disappointed
- The patient does not complain.

## III. RESULTS AND DISCUSSION

Based on the characteristics of respondents, it can be concluded that most of their education background were high school. The majority of gender were male, with the experience of checking to the most dominant hospital patients who had 2 times checks. The majority of respondents used BPJS insurance, and the ages, most of them were 46 - 55 years old. Also the respondents' income was mostly Rp. 2,000,000 - Rp. 3,000,000.

### A. Instrument Testing

Based on the results of the validity test KMO values on all variables above the value of 0.5 with a significance level of 0,000, the adequacy of the sample is declared fulfilled and

factor analysis can be carried out. The results of the validity test of all variable indicators are declared valid, because the loading factor is more than 0.4. From all of the indicators there is only one that is invalid, namely X1.1.

The reliability test results showed that all variables were declared reliable because the cronbach alpha value was above 0.7.

There are two equations in this study, namely:

Equation 1: The effect of service quality and location towards customer value.

Equation 1, has the value of adjusted $R^2$ is 0.349 which means that the customer satisfaction variable is 34.9% can be explained by service quality variables and location (place), the remaining 65.1% are explained by other factors outside the research model.

Equation 2: The effect of service quality, location and customer value towards customer satisfaction

Equation 2 has adjusted $R^2$ is 0.454 which means that the customer satisfaction variable is 45.4% can be explained by service quality, location (place), and customer value. The remaining 54.6% are explained by other factors outside the research model.

F test (stimulant test) serves to see the effect of independent variables on the dependent variable that work simultaneously. This can be seen in the regression test analysis table above.

Equation 1 has a F value of 24.089 and is significant at $0.000 < 0.05$, this means the quality of service and location, simultaneously influence on the customer value variable.

Equation 2 has an F value of 24.863 and is significant at $0.000 < 0.05$. This means that the variable service quality, location and customer value simultaneously influence on customer satisfaction.

## B. Hypotheses Testing

*a) Results of testing hypothesis 1 (H1): Service quality has a positive and significant effect on customer value*

Based on the results of processing the data in the table above, it can be seen that the results of testing hypothesis 1 obtained a significance value of 0,000 meaning that $< 0.05$ and standardized coefficients $\beta = 0.595$. This means that the variable of service quality has a positive and significant effect on customer value. In this case it can be interpreted H1 in this study which reads that there is a positive and significant influence between the service quality toward customer value can be accepted.

*b) Results of testing hypothesis 2 (H2): Location has a positive and significant effect on customer value*

Based on the results of processing the data in the table above, it can be seen that the results of testing hypothesis 2 obtain a significance value of $0,851 > 0.05$ and standardized coefficients $\beta = 0,018$. This means that the location variable has no effect on customer value. In this case it can be interpreted H2 in this study which reads that there is a positive

and significant influence between the location and the customer value were rejected.

*c) Results of testing hypothesis 3 (H3): Service quality has a positive and significant effect on customer satisfaction*

Based on the results of processing the data in the table above, it can be seen that the results of testing hypothesis 3 obtained a significance value of 0,000 meaning that $< 0.05$ and standardized coefficients $\beta = 0,428$. This means that the variable of service quality has a positive and significant effect on customer satisfaction. In this case, H3 can be interpreted in this study which reads that there is a positive and significant influence between the service quality on customer satisfaction can be accepted.

*d) Results of testing hypothesis 4 (H4): Location has a positive and significant effect on customer satisfaction*

Based on the results of processing the data in the table above, it can be seen that the results of testing hypothesis 4 obtained a significance value of 0,909 meaning that $< 0.05$ and standardized coefficients $\beta = 0,010$. This means that the location has no effect on customer satisfaction. In this case it can be interpreted H4 in this study which reads that there is a positive and significant influence between the location and the customer satisfaction were rejected.

*e) Results of testing hypothesis 5 (H5): Customer value has a positive and significant effect on customer satisfaction*

Based on the results of processing the data in the table above, it can be seen that the results of hypothesis testing 5 obtained a significance value of 0,001 meaning that $< 0,05$ and standardized coefficients $\beta = 0,334$. This means that the customer value variable has a positive and significant effect on customer satisfaction. In this case it can be interpreted H5 in this study which reads that there is a positive and significant influence between customer value and customer satisfaction can be accepted.

## C. Discussion

Results of testing hypothesis 1 (H1): Service quality has a positive and significant effect on customer value.

According to the result in this research that service quality has a positive and significant effect on customer value, this shows that the better service quality, will be following by the increasing customer value.

The results of this study supported to previous research, which has been done by Evans [2].

Results of testing hypothesis-2 (H2): Location has no effect on customer value.

The results of testing in second hypothesis indicate that the location has no effect on customer value. The results of this study were not supported to previous research, which has been done by Nugroho and Paramita [10].

Results of testing hypothesis 3 (H3): Service quality has a positive and significant effect on customer satisfaction.

From the results of testing the third hypothesis states that service quality has a positive and significant effect on customer

satisfaction. The results of this study supported to previous research, which has been done by Mauntinho and Smith [11], Agung and Soliha [12], Sigit and Soliha [13].

Results of testing hypothesis 4 (H4): Location has no effect on customer satisfaction.

The results of testing for the fourth hypothesis shows that location has no effect on customer satisfaction. The results of this study were not supported with previous research, which has been done by Nugroho and Paramita [10].

Results of testing the 5th hypothesis (H5): Customer value has a positive and significant effect on customer satisfaction.

Based on the results of processing the data in the table above, it can be seen that the results of testing hypothesis 5 shows that the better the customer value, will following by the easier customer satisfaction to be achieved. The results of this study supported to previous research, which has been done by Wang et al. [14], Solechah and Soliha [15], Munisih and Soliha [16].

### D. Intervening Test

The results of the mediation test with the Sobel test showed a significance result of 0,0026 <0,005. It shows that customer value mediates the influence of service quality on customer satisfaction.

## IV. CONCLUSION

Service quality has a positive and significant effect on customer value. The better the service quality will be following by the increasing of customer value. Location does not influence the customer value. Service quality has a positive and significant effect on customer satisfaction. The better of service quality, will be following by the increasing of customer satisfaction. Location does not influence the customer satisfaction. Customer value has a positive and significant effect on customer satisfaction. So if the better of customer value, will be following by the increasing of customer satisfaction.

### A. Research Limitation

The model built from the variables used in this study is not perfect, because the ability to explain the overall variables in the model does not reach Adjusted R Square of 1 or 50%. Also the variables used in this study are only service quality and location and customer value that mediates customer satisfaction. There may be other variables that also influence customer satisfaction such as prices, magnificent building forms and many other variables.

## ACKNOWLEDGMENT

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