

Analyze for Product Quality on Customer Loyalty PT Golgon Medan

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Abstract

PT Golgol Medan experienced a decline in customer loyalty that can be seen from the sales data this was suspected due to product quality. This research aims to investigate whether product quality influences customer loyalty in PT Golgol Medan. Product quality has an important role in shaping customer loyalty. Product quality and promotion are highly connected with customer loyalty and sales data. In this research, the writer used quantitative research design and SPSS. The sampling technique used was simple random sampling. The sample size was 64 customers. The results of the hypothesis test showed that product quality influences customer loyalty. Recommendations for PT Golgol Medan include improving product quality by using quality raw materials and following standards such as plastic seeds used.

Keyword: Product Quality, Customer Loyalty

1. INTRODUCTION

As the result of the impact of globalization and the developments associated with technological advancement, influx of new entrants into the business environments resulting in new products emergence, rivalry incremental challenges (Andreas et al., 2021), market shares declinations as well as lower repurchase intentions leading to reduction in organizations' sales volume in line with the challenges of keeping up with the growing customers' desires and expectations makes today firms to take issue of product quality which will eventually leads to customer loyalty very essential and crucial to the overall survival of the organization. In fact, all organizational production components should be coordinated towards meeting consumer's expectation and desires and as such, organization should leave the old pattern of production because if the customers' desires and expectations are not address by critical improvement on all production component of the organization, they may switch to that of the company rivals.

Customer loyalty is a loyal behavior, which is intended to relate to products or services. Customers who have loyalty, the level of purchase of products and services will be sustained continuously caused by Satisfaction and trust in the services provided. Loyal customers are very profitable for online companies given the high competition in online sales, loyal consumers will recommend to their friends and family to participate in making purchases. Customer loyalty is one of the purposes companies are marketing strategy implementation. The behavior of customers who buy a product continuously and to establish customer loyalties to a particular organization is what known as loyalty. Loyalty is the commitment customers have to a certain supplier, brand or store which reflected based on their positive behavior throughout their repeat purchase. The company's main purpose in establishing as well as creating a relationship with their clients is to create or build loyalty behavior that is very strong. PT Golgon Medan is a plastic manufacturer that was established in 1965. PT. Golgon is able to produce various types of plastics for Injection molding, extrusion, Blow Film and Blow Molding. PT. Golgon is also involved and trusted in accepting OEM contracts from foreign companies at local and national levels. Based on the initial survey conducted that there is a decrease in customer loyalty at this company which is marked by a decrease in the number of customers caused by many customers who switch to rival companies.

One of the important element in the business word is providing value to customers which does not only include objects that are tangible but also objects that are intangible, that is including packaging, service characteristics, brand name as well as performance quality (Supriyanto et al., 2021). Product quality plays a crucial role in meeting, or exceeding customer expectations. This improves customer delight and brand recognition, thereby leading to faster growth and success. Focusing on product quality also helps to reduce production costs and increase return on investments, thereby improving the chances of tackling the recession better. It also helps with market expansion and customer acquisition, increasing reach and profitability. Product quality is the specific capacity of a product to show its usefulness, including the time of the product, reliability, ease of use and repair, and other values. Moreover, the product is the most important thing that customers see after making a purchase, either goods or services to be enjoyed. Therefore, the company always pays attention to the quality of the products owned by the company so that the product in customers' eyes has the impression of a quality product.

Product quality is the totality of features and characteristics of a product or service that have the ability to satisfy both expressed and implicit needs. Product quality is also the level of ability of a product to perform its functions. PT. Golgon understands that the best quality is the right of our clients, so we always maintain the production process starting from the design concept to the realization of production carefully and professionally. The quality of PT Golgol Medan plastic products has decreased which is reflected in the increased product return rate and customer complaints. Customer complaints are related to the color of plastic that quickly fade, low quality because it cracks when falling, the company's products on the market. This triggers a decrease in customer loyalty to this company, causing customers to switch to other companies.

2. RESEARCH METHODS

2.1 Research Framework

2.1.1 Customer loyalty

Literally, loyal means faithful or loyalty can be interpreted as a loyalty. This loyalty arises without coercion but arises from one's own consciousness. While the concept of consumer loyalty more emphasis on purchasing behavior (Ayudya Amaranggana, 2018) Customer loyalty is a customer's attachment to a brand, store, manufacturer, service provider or other entity based on favorable attitudes and good responses such as repeat purchases (Febriani & Cipta, 2023). Customer loyalty is a commitment to keep using a product or service without being affected by the efforts of competing product companies (Indrawati, 2018). Thus, it can be concluded that customer loyalty is the commitment of an organization or customer who makes consistent repeat purchases of a product or service. The characteristics of loyal buyers include make repeated purchases, buy only products from such companies, refuse other products, show immunity (not affected) by the attractiveness of similar products from competing companies and conduct lead creation (Syahmi et al., 2021b)

2.1.2 Product Quality

Product quality is the totality of features and characteristics of a product or service that have the ability to satisfy both expressed and implicit needs. Product quality is also a level of ability of a product in carrying out its functions (Syahmi et al., 2021a) Product quality is one of the most used tools by marketers to do positioning. Quality has a direct impact on the product (Trisnawati et al., 2020). The quality of the product is one of the factors that affect the perception of customer. Consumers prefer good quality products so that improving the quality of certain products is very important (Pramudita et al., 2022) Based on the above understanding, it can be concluded that product quality is an ability of products that meet the expectations of consumers regarding durability, accuracy, ease of operation and maintenance. Indicators of product quality are the number of customer complaints, the level of customer satisfaction and the degree of compliance with specifications (Amaranggana & Rahanatha, 2018). Product quality is one of the competition among business actors offered to customers (Syahmi et al., 2021b).

2.2 Research Methodology

In this study, researchers used quantitative research methods. The type of data used is quantitative data. Quantitative research is more of an explanation of people or objects. Population is the whole person or case or object in which the results of the study will be generalized (Munfaqiroh et al., 2022) The population in this study amounted to 197 customers. The sample is a selected part of the population selected through the sampling method in a study. To determine the number of samples, you can use the Slovin formula, namely (Ismail et al., 2022):

$$n = \frac{N}{1 + Ne^2} = \frac{197}{1 + 197(0.1)^2} = 66.33 \sim 64 \quad (1)$$

Description:

N : Population.

e : Percentage of looseness of entanglement due to sampling error still desired.

The total sample was 64 customers and the sampling technique used was simple random sampling. In this study using primary data and secondary data. Data collection techniques using questionnaires, interviews and documentation. Analysis of research measuring instruments using validity test, reliability test, classical assumption test, multiple linear regression analysis, coefficient of determination test and hypothesis test.

3. RESULT AND DISCUSSION

3.1 Normality Test

Normality test aims to test whether in regression models, disruptive or residual variables have a normal distribution. Normality testing by analyzing the histogram chart is

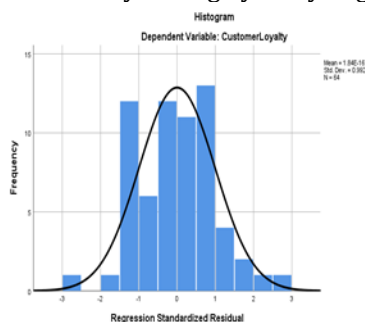


Figure 1. Histogram

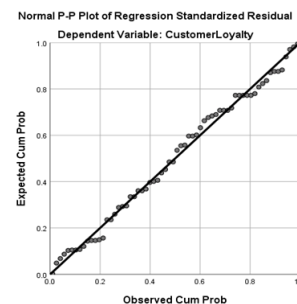


Figure 2. Normal P-P Plot

Figure 1 show that the real data form a curve line tends to symmetry (U) does not deviate to the left or to the right. It can be concluded that the data are normally distributed. Conversely, the data is said to be not normally distributed, if the data spreads far from the direction of the line or does not follow the histogram graph.

Figure 2. show that the data spread around the diagonal line so that it can be concluded that the data is normally distributed. Conversely, the data is said to be not normally distributed, if the data spreads far from the direction of the line or does not follow the diagonal.

**Table 3. Normality Test
 One-Sample Kolmogorov-Smirnov Test**

| | | Unstandardized Residual |
|----------------------------------|----------------|-------------------------|
| N | | 64 |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | 4.94405318 |
| Most Extreme Differences | Absolute | .064 |
| | Positive | .064 |
| | Negative | -.055 |
| Test Statistic | | .064 |
| Asymp. Sig. (2-tailed) | | .200 ^{c,d} |

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Table 3. show that the value of asymp. sig (2 tailed) of 0.200 > 0.05. It can be concluded that the data are normally distributed.

3.2 Linearity Test Result

The results of linearity testing for product quality variables on customer loyalty can be seen in the following:

**Table 4. Linearity Test
 ANOVA Table**

| | | | Sum of Squares | df | Mean Square | F | Sig. |
|-------------------|---------------|--------------------------|----------------|----|-------------|--------|------|
| Customer Loyalty | Between | (Combined) | 1577.947 | 20 | 78.897 | 3.381 | .000 |
| * Product Quality | Groups | Linearity | 1041.487 | 1 | 1041.487 | 44.628 | .000 |
| | | Deviation from Linearity | 536.460 | 19 | 28.235 | 1.210 | .294 |
| | Within Groups | | 1003.490 | 43 | 23.337 | | |
| | Total | | 2581.438 | 63 | | | |

Table 4. shows that the linearity test of product quality (X1) to customer loyalty (Y) has a linearity value of 0.000 < 0.05, means it has a linear relationship.

3.3 Correlation test Result

Correlation test is to measure the degree of linear relationship between variable X and variable Y, the authors perform the calculation of the correlation coefficient.

Table 5. Correlation Test Result

| | | Product Quality | Customer Loyalty |
|------------------|---------------------|-----------------|------------------|
| Product Quality | Pearson Correlation | 1 | .635** |
| | Sig. (2-tailed) | | .000 |
| | N | 64 | 64 |
| Customer Loyalty | Pearson Correlation | .635** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 64 | 64 |

** . Correlation is significant at the 0.01 level (2-tailed).

Table 5. show that the correlation of product quality variables of 0.635. This means that the correlation between product quality (X) to customer loyalty (Y) is strong (0.60-0.799).

3.4 Determination Test Result

The greater of the value of r square, the better the model used. However, it should also be noted that any addition of independent variables into the model will always increase the value of R2, so that later there can be misinterpretation in determining the best regression model. The results of testing the coefficient of determination can be seen in the table below:

**Table 6. Determination Test
 Model Summary^b**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .635 ^a | .403 | .394 | 4.984 |

a. Predictors: (Constant), Product Quality

b. Dependent Variable: Customer Loyalty

Table 6. show that the magnitude of the coefficient of determination can be seen from the adjusted R Square value of 0.403 means that product quality can explain customer loyalty of 40.3% and the remaining 59.7%

(100-40.3%) is influenced by other variables outside of this study such as: price, service quality and so on.

3.5 Multiple Linear Regression Analysis Result

The research Model used in this study is a multiple linear regression analysis. In addition, regression analysis was used to test the truth of the hypothesis proposed in this study, whose model is as follows:

Table 7. Coefficients^a Result

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | t | Sig. |
|-------|-----------------|-----------------------------|------------|---------------------------|--|--------|------|
| | | B | Std. Error | Beta | | | |
| 1 | (Constant) | 20.346 | 1.532 | | | 13.284 | .000 |
| | Product Quality | .531 | .082 | .635 | | 6.475 | .000 |

a. Dependent Variable: Customer Loyalty

$$\text{Customer Loyalty} = 20,346 + 0,531 \text{ Product Quality}$$

From the explanation of multiple linear regression analysis above is that if the independent variable in the form of product quality does not increase in value, then the value of customer loyalty variable of 20.346 units. If there is an increase in the value of one unit for product quality variables, the value of customer loyalty variables will increase by 0.531 units with the assumption that other variables remain.

3.6 t test Result

Based on the table above that the product quality variables obtained value $t_{count} (6.475) > t_{table} (2.000)$ and the signfiikan value of $0.002 < 0.05$, the hypothesis is accepted that: product quality affects customer loyalty at PT Golgon Medan.

Discussion

The test results obtained for product quality variables affect customer loyalty at PT Golgon Medan. The quality of products and services will greatly support the creation of promotional content, in marketing theory if there are differentiated qualities that will further boost the perception of value from consumers. The combination of quality reality with good content will increase satisfaction from consumers. Of course this will be able to continuously boost customer loyalty (Budiarno et al., 2022). The building strong and meaningful relationships with customers is at the core of customer loyalty. It involves developing trust, fostering emotional connection and delivering value consistently. Businesses can achieve this through personalized communication, exceptional customer service, loyalty programs and proactive engagement This improves customer delight and brand recognition, thereby leading to faster growth and success (Lestari & Yulianto, 2018). Focusing on product quality also helps to reduce production costs and increase return on investments, thereby improving the chances of tackling the recession better. It also helps with market expansion and customer acquisition, increasing reach and profitability. Product quality is the specific capacity of a product to show its usefulness, including the time of the product, reliability, ease of use and repair, and other values. Moreover, the product is the most important thing that customers see after making a purchase, either goods or services to be enjoyed. Therefore, the company always pays attention to the quality of the products owned by the company so that the product in customers' eyes has the impression of a quality product. The quality of PT Golgol Medan plastic products has decreased which is reflected in the increased product return rate and customer complaints. Customer complaints are related to the color of plastic that quickly fades, low quality because it cracks when falling, the company's products on the market and the color that does not vary much. This triggers a decrease in customer loyalty to this company, causing customers to switch to other companies.

4. CONCLUSION

The conclusion in this study is that product quality affects customer loyalty at PT Golgon Medan. Product quality variable correlation results of 0.635. This means that the correlation between product quality (X1) and customer loyalty (Y) is strong. The magnitude of the coefficient of determination can be seen from the value of adjusted R Square of 0.403 means that product quality can explain customer loyalty of 40.3%. The results showed that the level of product quality has an important role in influencing customer loyalty. For this reason, it is the company's task to maintain consistency in product quality so that it ultimately increases customer loyalty. Recommendations for PT Golgol Medan improve product quality by using quality raw materials and in accordance with standards such as plastic seeds used. This is to maintain the consistency of the quality of the plastic. In addition, PT Golgon Medan also maintains the production process according to procedures so as to produce appropriate and consistent products that are useful for maintaining the image of the product and the company and then customer satisfaction. Researchers can further develop this research by examining other factors that can affect customer loyalty, such as price and quality of Service. Further researchers can also use other methods in researching customer loyalty, for example through in-depth interviews with customers, so that the information obtained can be more varied than questionnaires whose answers are already available.

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