

CUSTOMER LOYALTY, THROUGH CUSTOMER SATISFACTION IN CUSTOMERS PT. XYZ

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Abstract: PT. XYZ is one paper company in East Java, Indonesia. The paper industry grows much wider opportunities to consumers to help select and purchase the product in accordance with the wishes and needs. This resulted in the emergence of competition between paper companies. Consumer expectations this time are getting a good paper and an affordable price, if these expectations are fulfilled then the customer will feel satisfied and by itself will refer to the paper company. PT. XYZ as the paper industry players feel that the best service quality to consumers is essential. The type of research used is applied research. The nature of this research is explanatory research which aims to determine the effect of service quality consisting of tangibility, reliability, responsiveness, assurance, and empathy to customer satisfaction and determine the effect of customer satisfaction on customer loyalty. This study determines the number of respondents 10 times the number of indicators (= 12 indicators) that is 120 respondents. The sample used in this study is a paper distributor that takes directly from the company PT XYZ in Surabaya. This research uses Path Analysis. There were 125 questionnaires distributed and those that met the requirements established 120 questionnaires. The sample used in this study is a paper distributor that takes directly from the company PT XYZ in Surabaya. Based on this research, it proved that the factors of service quality consisting of tangibles, reliability, responsiveness, assurance, and empathy affect consumer satisfaction PT. XYZ, so the first hypothesis can be accepted. AMOS calculation results can be seen from the path coefficient of 2.468 was obtained with CR values of probability of significance is 0.014. The hypothesis was accepted with immediate effect from the factor of service quality on customer satisfaction by 0.602. Good service quality can give satisfaction to the consumer, but not necessarily lead to a loyal customer following consumer satisfaction. Based on the findings proved consumer satisfaction is not proven to influence consumer loyalty to the product of PT. XYZ, so that the second hypothesis was rejected. The path coefficient of 1.535 was obtained with CR values of probability of significance is 0.125. A hypothesis is rejected with a direct influence on customer loyalty on customer satisfaction by 0.202.

Keywords: Service Quality (tangibles, reliability, responsiveness, assurance, and empathy), Customer Satisfaction, Customer Loyalty

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In Indonesia, there are 14 pulp mills and 79 paper mills with an installed capacity of 6.69 million tons of pulp/year and 10.36 million tons of paper/year. Pulp and paper mills are mostly located in Java (East Java, West Java, Banten and

Central Java), others are located in Sumatra Island (NAD, North Sumatra, Riau, Jambi, South Sumatra and Lampung) and Kalimantan Island (East Kalimantan). Almost all types of paper can be produced domestically, such as newsprint, printed writing, kraft liner/medium, cement bag paper, wrap paper, tissue paper, cigarette paper, valuable paper, and others (Henggar, 2009).

Indonesia is one of the world's leading pulp and paper producers (No. 9 pulp industry and No. 11 paper industry). Most of the national Pulp and Paper Industry (which operated before the 1980s) was small in capacity and had relatively old machinery, but those established after the mid 1980s were generally large in capacity with more modern technology (Henggar, 2009). PT. XYZ is one of the paper industries. One important aspect of maintaining the company's sustainability by maintaining customer satisfaction.

The importance of customer satisfaction which will ultimately create consumer loyalty is less recognized by many companies, as well as many com-

panies that do not try to trace and study customer satisfaction. Many companies only focus on standard standards that are considered sufficient to satisfy consumers without looking for other innovations that may have the potential to increase customer satisfaction, as a result of not mastering the technology, especially in the engineering design and engineering of the Pulp and Paper Industry machinery (Henggar, 2009).

A paper company that has been established since 1976, namely PT. XYZ is one of the 5 big companies in Indonesia. This research was conducted at PT. XYZ The aspects seen in this study are the influence of service quality factors on customer satisfaction and the effect of customer satisfaction on customer loyalty at PT. XYZ, this is necessary so that the market potential that has been achieved so far will not disappear or in other words move to products from other paper producers that are currently rife in the market. Paper sales data for the period 2014 to 2018 at PT. XYZ can be seen in the following Table 1.

Table 1 Paper sales data for the period 2014 to 2018 at PT. XYZ.

	The year 2014	The year 2015	The year 2016	The year 2017	The year 2018
Paper (Ton)	313052	357793	352663	296000	240848

Source: PT. XYZ Surabaya, 2019

Paper sales growth in PT. XYZ Surabaya can be seen in Table 1 which shows that there was a decline from 2014 to 2018. Based on these data, it is necessary to improve the quality of services provided so that consumers are satisfied, and subsequently satisfied consumers will become loyal consumers of PT. XYZ.

These service quality factors according to Parasuraman, A., et al. in Tjiptono and Candra (2005: 134) simplified into five namely: tangibles, reliability, responsiveness, assurance, and empathy. PT. XYZ needs to pay attention to factors that influence customer satisfaction and customer satisfaction affects customer loyalty.

LITERATURE REVIEW

Kotler (2003: 3) menyatakan marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with another. According to Chambers CEO of Cisco Systems in Kotler and Keller (2007: 171), it makes consumers the center of the corporate culture. Consumer-centered companies are skilled in building customer relations, not just products.

Kotler and Armstrong (2001: 583), the definition of quality is “The totality of feature and characteristic of product service that bear on it's the ability to satisfy stated or implied needs”. Com-

panies must provide products for services that are able to meet or exceed consumer needs so that consumers are satisfied.

This is consistent with the opinion of Parasuraman, et al. (1990: 16) which states that "Only customer judge quality." The company's success in providing quality services to its customers, achieving a high market share, and increasing the company's profits is very influential.

The next development, namely in 1988, according to Parasuraman, et al. in Tjiptono and Candra (2005: 134) the ten dimensions of existing service quality can be summarized into five main dimensions or attributes, namely:

1. *Tangibles: Appearance of physical facilities, equipment, personnel, and communication materials.*

This is directly related to the attractiveness of physical facilities, equipment or equipment, and materials used by the company, employee appearance, and communication tools.

2. *Reliability: Ability to perform the promised service dependably and accurately.*

This can be interpreted as the ability of companies that can be relied upon in providing services that have been promised immediately, accurately and satisfactorily.

3. *Responsiveness: Willingness to help a customer and provide prompt service.*

This can be interpreted as the willingness of staff and employees to help consumers, respond to customer demand and provide services responsively.

4. *Assurance: Knowledge and courtesy of employees and their ability to convey trust and confidence.*

This includes knowledge and courtesy, as well as the ability of employees to generate consumer trust and confidence in the company. It also means that employees are always polite and master the knowledge and skills needed to handle every customer question or problem. Matters relating to Assurance: Competence, Courtesy, Credibility, Security.

5. *Empathy: Caring, individualized attention the firm provides its customers.*

Willingness to care, good communication, personal attention and understanding consumer needs. Matters related to Empathy: Access, Communications, Understanding the customer.

According to McDougall and Levesque (2000) that customer satisfaction is influenced by three indicators namely core quality, relationship quality and perceived value directly. The ability of companies to win competition does not only lie in the products offered (core quality), because consumers sometimes also choose companies that are considered capable of providing fast responses, emphasizing hospitality, trustworthiness, and timeliness of employees in providing services (relational quality) (Kerin, et al., 1992 in Zeithaml, 1988). Consumers are satisfied as a consequence consumers will be loyal, but if dissatisfied consumers will move to another company.

Indicators should receive attention relating to customer satisfaction such as core quality or products offered by PT. XYZ, relationship quality (relational quality) related to how the employees of PT. XYZ serves consumers, responsiveness to consumer complaints, hospitality and being able to keep promises and perceived value in relation to comparisons made by consumers for what has been given (costs) and what is received (product results).

Consumers have very diverse levels of loyalty at certain companies (Kotler and Keller, 2007: 175). Loyalty is a strong commitment to buy or subscribe to certain products in the future despite the influence of the situation and marketing efforts that have the potential to cause behavioral shifts.

Hendrajana (2005) stated that:

1. Expectation value = perception value, then the consumer is satisfied.
2. Expectation value < perception value, then the consumer is very satisfied.
3. Expectation value > value of perception, then consumers are not satisfied.

The fulfillment of expectations will create satisfaction for consumers. Satisfied consumers will become loyal consumers.

Loyal consumers according to Kotler (2003: 124):

1. Make a repeat purchase.
2. Saying good things about the company to others.

3. Pay less attention to competing for product advertisements.
4. Buy other products from the same company.

Tabel 2 Definition of Brand Loyalty and Their Shortcoming

STAGE	IDENTIFYING MARKET	VULNERABILITIES
Cognitive	Loyalty to information such as price, features, and so forth	Actual or imagined better competitive features or price through communications (e.g., advertising) and vicarious or personal experience. Deterioration in brand features or price. Variety seeking and voluntary trial.
Affective	Loyalty to a liking "I buy it because I Like it"	Cognitively induced dissatisfaction. Enhanced liking for competitive brands, perhaps conveyed through imagery and association. Variety seeking and voluntary trial. Deteriorating performance.
Conative	Loyalty to an intention: "I'm committed to buying it."	Persuasive counterargumentative competitive messages. Induced trial (e.g., coupons, sampling, point-of-purchase promotions). Deteriorating performance.
Action	Loyalty to action, coupled with the overcoming of obstacles.	Induced unavailability (e.g., stocklifts-purchasing the entire inventory of a competitor's product from a merchant). Increased obstacles generally. Deteriorating performance.

Sources: Schiffman and Kanuk (2007: 221)

Relationship between Service Quality and Consumer Satisfaction and Loyalty.

According to Tjiptono (2009: 54), service quality is closely related to customer satisfaction and loyalty. Quality of service provides an impetus for consumers to establish strong bonds with the company. Ties like these allow companies to carefully understand the expectations and needs of consumers in the long run. This causes companies to increase customer satisfaction by maximizing pleasant customer experience and minimizing or eliminating a less pleasant consumer experience. Finally, customer satisfaction can create customer loyalty or loyalty to companies that provide satisfying service quality.

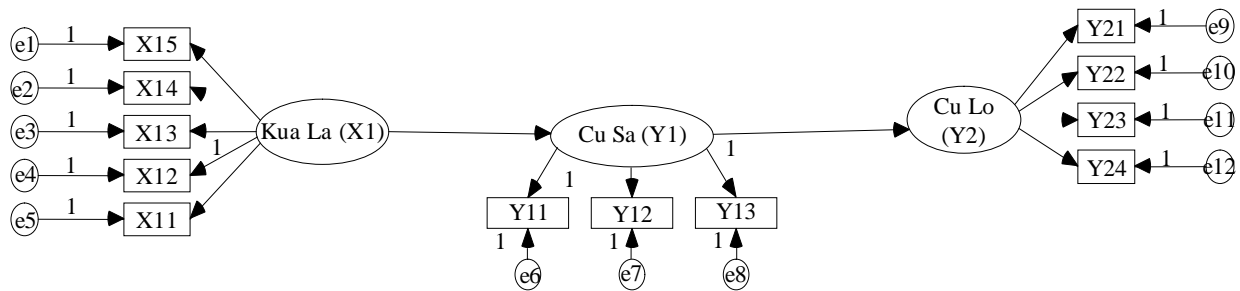
The conceptual framework of this study is used to facilitate the understanding of the course of a study and is also used as a formulation of hypoth-

eses. The service quality dimension (SERVQUAL) used in this study refers to the service quality dimension proposed by Parasuraman in Tjiptono and Candra (2005: 134), while the concept of customer satisfaction and loyalty refers to the definition of consumer satisfaction and loyalty expressed by Kotler and Keller (2007: 179).

The conceptual framework explains the factors of service quality (X1) consisting of tangibles, reliability, responsiveness, assurance, and empathy influence on Customer Satisfaction (Y1) and Customer Satisfaction influence on Customer Loyalty (Y2) on products from PT. XYZ in Surabaya.

The hypothesis that can be put forward in this study based on the theoretical basis and the formulation of the problems that have been raised are:

1. Service quality factors consisting of tangibles, reliability, responsiveness, assurance, and em-



Conceptual Framework

pathy have an influence on customer satisfaction in the company's products PT. XYZ Surabaya.

2. Consumer satisfaction has an influence on consumer loyalty to the company's products PT. XYZ Surabaya.

METHOD

The type of research used is applied research. The nature of this research is explanatory research which aims to determine the effect of service quality consisting of tangibility, reliability, responsiveness, assurance, and empathy to customer satisfaction and determine the effect of customer satisfaction on customer loyalty. Data from the questionnaire were processed using SPSS (Statistical Package for Social Sciences) using the AMOS statistical program.

The population of this study is all consumers who have used paper from the company PT. XYZ According to Ferdinand (2000: 43) the sample is between 100-200 or at least using a comparison of 5 observations for each indicator estimate. This study determines the number of respondents 10 times the number of indicators (= 12 indicators) that is 120 respondents which means the assumptions for the sample size have been met. The sample used in this study is a paper distributor that takes directly from the company PT XYZ in Surabaya. The technique used to draw a sample is a purposive sampling technique, taking into account the special characteristics that must be possessed as a condition of becoming a sample member.

Operational Definitions and Research Variables

Consumer satisfaction as an endogenous variable (Y1) is defined as the actions taken by consumers in making choices after using service quality in the paper mill of PT. XYZ Surabaya as satisfied or not with the services provided by the paper mill PT. XYZ Surabaya.

The indicators are as follows:

- a. Core Quality (Y11) is the consumer perception of the products offered by PT. XYZ
This can be described as follows:
 1. Affordable product prices.
 2. There are standard product sizes and can be ordered accordingly Request.
 3. The price of the product is in accordance with the size of the product ordered.
- b. Relational Quality (Y12) is the consumer perception of the quality of the relationship between consumers and PT. XYZ
This can be described as follows:
 1. The way PT.XYZ employees serve consumers
 2. Quick response to consumer complaints
 3. The hospitality of employees in serving consumers
 4. The ability to keep promises to consumers
- c. Perceived Value (Y13) is a consumer's perception of the perceived value directly related to the comparison made by consumers between the cost and the product results that consumers receive.

This can be described as follows:

1. The desired product is easily ordered and obtained.
2. Products available with varying prices, some are cheap and affordable.
3. Product quality according to consumer expectations.

Consumer loyalty as an endogenous variable (Y2) is defined as the actions taken by consumers after being satisfied with the services provided by the paper mill of PT. XYZ Surabaya like whether or not loyal consumers of products from the paper mill PT. XYZ Surabaya.

The indicators are as follows:

- a. Cognitive (Y21) is consumer loyalty to price information, features of PT. XYZ

This can be described as follows:

1. Consumer willingness to pay at a higher price.
2. Consumers are willing to buy new products from PT. XYZ

- b. Affective (Y22) is consumer loyalty to the purchase of PT. XYZ because consumers like it.

This can be described as follows:

1. Consumer repeat purchases.
2. Consumers like PT. XYZ

- c. Conative (Y23) is loyalty to the intention and commitment to buy products from PT. XYZ

This can be described as follows:

1. Unwillingness to move due to PT. XYZ the good one.
 2. The commitment of consumers still buys the products of PT. XYZ
- d. Action (Y24) is loyalty to action and overcoming

obstacles to purchasing PT. XYZ

This can be described as follows:

1. Consumer references to other parties.
2. Preaching the goodness of PT. XYZ

RESULTS

Research respondents are determined with the following specifications: have used paper for more than a year, have used paper PT. XYZ is more than 10 tons per month. Minimum age of 25 years. A total of 125 questionnaires were distributed and 120 questionnaires were declared to meet the specified requirements. Most respondents turned out to be older than 56 years which is equal to 40% and is the largest percentage of all respondents. Respondents were male by 80% while female respondents by 20%. Respondents with S1 education were the respondents with the largest percentage, namely 79.2%. Judging from the time of use and introduction of paper products PT. XYZ by respondents, the largest percentage is respondents who have used it for more than 15 years at 70.8%. Judging from the many uses of paper products PT. XYZ every

Table 3 Loading Factor

Number	Indicator Variable	Loading Factor	CR(t hitung)	p	Information
1	X _{1.1}	0,346	2,684	0,007	Significant
2	X _{1.2}	0,664	3,957	0,000	Significant
3	X _{1.3}	0,437	3,132	0,002	Significant
4	X _{1.4}	0,421	2,939	0,003	Significant
5	X _{1.5}	0,526	*	0,000	Significant
6	Y _{1.1}	0,725	3,601	0,000	Significant
7	Y _{1.2}	0,592	3,485	0,000	Significant
8	Y _{1.3}	0,466	*	0,000	Significant
9	Y _{2.1}	0,717	*	0,000	Significant
10	Y _{2.2}	0,750	7,318	0,000	Significant
11	Y _{2.3}	0,787	7,183	0,000	Significant
12	Y _{2.4}	0,709	6,498	0,000	Significant

month the largest percentage are respondents who use paper products from PT. XYZ is more than 10 tons with a percentage of 97.5%.

Based on the Table 3 all indicators of the research variables are significant where $t_{count} \geq t_{table}$ or $p = 0,000; 0.002; 0.003; 0.007 \leq \alpha = 0.05$ (Riduwan and Kuncoro, 2008: 217).

Table 4 Reliability Test

Number	Indicator Variable	Estimasi (loading)	Loading ²	Measurement Error 1- (Loading) ²
1	X _{1.1}	0,346	0,120	0,880
2	X _{1.2}	0,664	0,441	0,559
3	X _{1.3}	0,437	0,191	0,809
4	X _{1.4}	0,421	0,177	0,823
5	X _{1.5}	0,526	0,277	0,723
7	Y _{1.1}	0,725	0,526	0,474
8	Y _{1.2}	0,592	0,350	0,650
9	Y _{1.3}	0,466	0,217	0,783
10	Y _{2.1}	0,717	0,514	0,486
11	Y _{2.2}	0,750	0,563	0,437
12	Y _{2.3}	0,787	0,619	0,381
13	Y _{2.4}	0,709	0,503	0,497
Jumlah		7,140	4,498	7,502

$$Construct - reliability = \frac{(\sum Std Loading)^2}{(\sum Std Loading)^2 + \sum \epsilon_j} = \frac{(7,14)^2}{(7,14)^2 + (7,502)} = 0,8717$$

Based on the above formula, the construct-reliability of the research variable is set at 0.8717 while the boundary value used to assess an acceptable level of reliability is 0.70 (Tulipa and Utami, 2009).

Thus all indicators of the research variables are reliable and can be used significantly for further analysis.

Table 5 Final Testing Results The Effect of Service Quality on Customer Satisfaction and the Effect of Customer Satisfaction on Customer Loyalty at PT. XYZ

Criteria	Score Cut-off	Computational Results	Information
Chi Square	Expected to be small	114,9	Good, χ^2 with df=52 is 69,83216
Significance Probability	$\geq 0,05$	0,000	Not good
RMSEA	$\leq 0,08$	0,078	Good
CMIN/DF	$\leq 2,00$	2,210	Not good
TLI	$\geq 0,95$	0,707	Not good
CFI	$\geq 0,95$	0,805	Not good

The results of testing with the AMOS program for the initial model presented in Appendix 3.8, give the results as presented in Table 5. Where in the table it is shown that of the 6 (six) criteria used to

assess the appropriateness of a model, there are two criteria that are met, thus modification of the model is not necessary.

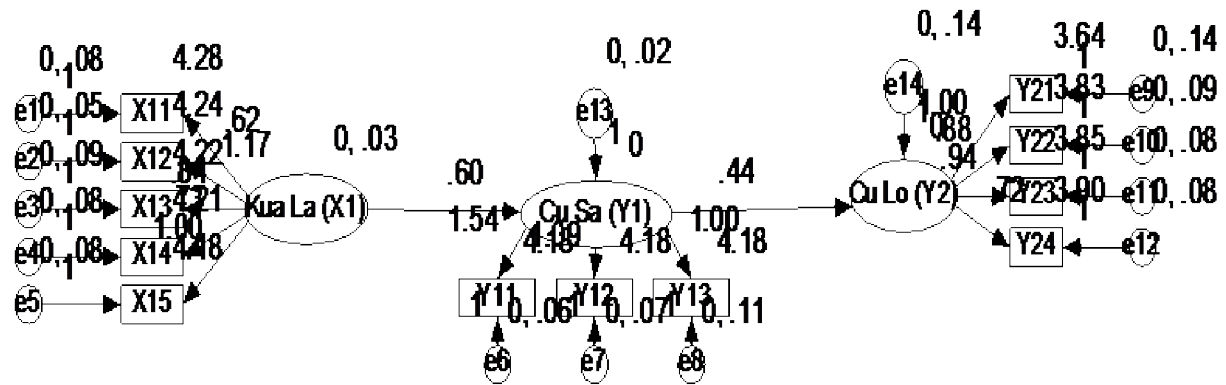


Figure 1 shows the path coefficient of service quality influence from PT. XYZ, Customer Satisfaction on PT. XYZ and Customer Loyalty in PT. XYZ

Table 6 Path coefficient, CR, and Probability Test Results Influence of Service Quality, Customer Satisfaction, and Customer Loyalty Variables on Paper Products of PT. XYZ

Variable	Path coefficient	Estimated standard	Standard error	CR	Probability (p)	Information
Cu Sa (Y ₁) ← Kua La (X ₁)	0,602	0,602	0,244	2,468	0,014	Significant
Cu Lo (Y ₂) ← Cu Sa (Y ₁)	0,202	0,445	0,290	1,535	0,125	Not Significant
Y ₂₁ ← Cu Lo (Y ₂)	0,717	1,000				
Y ₂₂ ← Cu Lo (Y ₂)	0,750	0,876	0,120	7,318	0,000	Significant
Y ₂₃ ← Cu Lo (Y ₂)	0,787	0,945	0,132	7,183	0,000	Significant
Y ₂₄ ← Cu Lo (Y ₂)	0,709	0,721	0,111	6,493	0,000	Significant
X ₁₅ ← Kua La (X ₁)	0,526	1,000				
X ₁₄ ← Kua La (X ₁)	0,421	0,733	0,249	2,939	0,003	Significant
X ₁₃ ← Kua La (X ₁)	0,437	0,843	0,269	3,132	0,002	Significant
X ₁₂ ← Kua La (X ₁)	0,664	1,171	0,296	3,957	0,000	Significant
X ₁₁ ← Kua La (X ₁)	0,346	0,617	0,230	2,684	0,007	Significant
Y ₁₃ ← Cu Sa (Y ₁)	0,466	1,000				
Y ₁₂ ← Cu Sa (Y ₁)	0,592	1,092	0,313	3,485	0,000	Significant
Y ₁₁ ← Cu Sa (Y ₁)	0,725	1,536	0,426	3,601	0,000	Significant

To test the hypothesis, the following path coefficients of each of the variables used in the research will be presented. The path coefficient values can be seen in Table 6. Based on the results of the analysis of causality relationships between variables as described in the Table, the hypothesis testing can be explained as follows:

a. Hypothesis One (H₁)

The AMOS calculation results presented in the Table show that the perception of the quality of service (Kua La) of PT. XYZ has a positive and significant effect on Customer Satisfaction (Cu Sa) on paper products of PT. XYZ This can be seen from

the path coefficient that is positive with a CR value of 2.468 obtained a significance probability (p) of 0.014. This value is smaller than the significance level (α) specified, which is 0.05. Thus the research hypothesis states that the perception of the quality of service (Kua La) PT. XYZ has a positive and significant effect on Customer Satisfaction (Cu Sa) on paper products of PT. XYZ is proven. The magnitude of the direct effect of the perception of Service Quality (Kua La) on Customer Satisfaction (Cu Sa) on paper products of PT. XYZ of 0.602.

b. Hypothesis Two (H₂)

The table shows that the perception of Customer Satisfaction (Cu Sa) on PT. XYZ has no positive and significant effect on Customer Loyalty (Cu

Lo). This can be seen from the path coefficient that is positive with a CR value of 1.535 but a significance probability (p) of 0.125 is obtained. This value is greater than the significance level (α) specified, which is 0.05. Thus the research hypothesis states that the perception of Customer Satisfaction (Cu Sa) on paper products PT. XYZ has a significant positive effect on Customer Loyalty (Cu Lo) not proven.

The table 7 shows the total effect between service quality (X1) on Customer Satisfaction (Y1) is 0.602, service quality (X1) on Customer Loyalty (Y2) is 0.268. While the total effect of Customer Satisfaction (Y1) on Customer Loyalty (Y2) was 0.445.

Table 7 Tests on the Effects of Total Service Quality on Customer Satisfaction, Service Quality towards Customer Loyalty, and Customer Satisfaction towards Customer Loyalty

Variable	Total Influence		
	Kua LaX ₁	Cu SaY ₁	Cu LoY ₂
Cu Sa (Y ₁)	0,602	0,000	0,000
Cu Lo (Y ₂)	0,268	0,445	0,000
Y _{1,1}	0,924	1,536	0,000
Y _{1,2}	0,657	1,092	0,000
Y _{1,3}	0,602	1,000	0,000
Y _{2,1}	0,268	0,445	1,000
Y _{2,2}	0,235	0,390	0,876
Y _{2,3}	0,253	0,420	0,945
Y _{2,4}	0,193	0,321	0,721
X _{1,1}	0,617	0,000	0,000
X _{1,2}	1,171	0,000	0,000
X _{1,3}	0,843	0,000	0,000
X _{1,4}	0,733	0,000	0,000
X _{1,5}	1,000	0,000	0,000

DISCUSSION

Influence of Perception on Service Quality of PT. XYZ against Customer Satisfaction Paper Products PT. XYZ

The analysis results in the Table show that the perception of the quality of PT. XYZ consisting of tangibles, reliability, responsiveness, assurance, and

empathy to the Customer Satisfaction of PT. XYZ has a path coefficient of 0.602 with a probability of 1.4%, meaning that the higher the quality of service of PT. XYZ also increasingly high consumer satisfaction on paper products PT. XYZ This means that the first hypothesis in this study which states there is a positive influence between the perception of

the quality of service PT. XYZ against Customer Satisfaction of PT. XYZ is proven true. This is in line with Reylia's research (2008) which provides empirical evidence that service quality factors consisting of tangibility, reliability, responsiveness, assurance, and empathy together have a significant effect on patient family satisfaction at Menur Hospital in Surabaya and those that secondly, service quality factors consisting of tangibility, reliability, responsiveness, assurance and empathy have a partially significant influence on patient family satisfaction at Menur Hospital in Surabaya. This is in line with Kotler and Armstrong's theory (2001: 583), the definition of quality is "The totality of features and characteristics of product services that bear on it's the ability to satisfy stated or implied needs". Companies must provide products for services that are able to meet or exceed consumer needs so that consumers are satisfied.

The Influence of Customer Satisfaction on Customer Loyalty Paper Products PT. XYZ

The results of the analysis in the Table show that Customer Satisfaction with Customer Loyalty of PT. XYZ has a path coefficient of 0.202 with a probability of 12.5%, meaning that the higher the customer satisfaction of PT. XYZ does not guarantee higher consumer loyalty to the paper products of PT. XYZ This means that the second hypothesis in this study which states there is a positive influence between Customer Satisfaction on Customer Loyalty paper products PT. XYZ is not proven true. This is in line with Bauer's theory, et al. (2003): the retention rate refers to the probability that an individual customer will remain loyal to a company, yielding expected revenues and costs within a fixed period of time High levels of customer satisfaction do not necessarily result in repeat purchases and increased sales. Likewise, in line with Peter Zan Dan, from Intelliquet, which conducts market research for computer manufacturers around the world, reports that in more than 30,000 interviews, his company has never found indications that indicate a high level of customer satisfaction as a trustworthy repurchaser predictor (Griffin, 2005: 3). This is not in line with research conducted by Magdalena

(2005) which states that employee responsiveness, assurance, empathy, reliability, and physical evidence have a positive and significant effect on proven customer satisfaction and secondly, customer satisfaction has a positive and significant effect on proven loyalty the truth. Likewise, it is not in line with Kotler and Armstrong's theory (2001: 10) "Satisfied customers make repeat purchases, and they tell others about their good experiences with the product", which means satisfying consumers will make these consumers make repeat purchases, and consumers will recommend it to others about the experience of the product to others.

The reason for the second hypothesis is not proven true Customer Satisfaction does not affect the Customer Loyalty of PT. XYZ

Consumers of PT. XYZ is not loyal because the price is not competitive even though PT. XYZ compared to other companies is better, so consumers are inclined to buy paper products from other companies. As a result of the global recession, consumers are only willing to pay for products at affordable prices, namely how to get products at the lowest possible price with the best quality.

PT. XYZ has maximized the efficiency of the production process, but prices still cannot compete. One reason the price of PT. XYZ is not competitive is PT. XYZ does not have a deinking process in its production process, where the deinking process can reduce costs. The deinking process can minimize the use of pulp as a raw material for making paper. The price of pulp which is increasingly expensive is the most influential in determining the selling price of paper products of PT. XYZ PT. XYZ has difficulty in expanding its plant to increase the deinking process because the land area is inadequate for factory expansion.

According to Kotler and Keller (2007: 411) competition continues to grow more intense each year. Competition arises from all directions, from global competitors who are eager to develop sales in new markets, from online competitors who are looking for cost-effective ways to expand distribution, and from the broad expansion of strong competitors who increase their power to enter new cat-

egories. The company must pay great attention to its competitors, to plan effectively and implement the company's best positioning strategy. The market has become so competitive that it cannot focus on consumers alone.

According to Kotler and Keller (2007: 422) companies that offer a strong combination of low prices and high quality, make consumers interested in buying these products. Companies must maintain quality, reduce costs, find sources of differentiation, and manage effectively in order to compete. Companies are required to take action in three fields so they can be number one. The three areas according to Kotler and Keller (2007: 423) are as follows:

1. Companies must find ways to increase overall market demand.
2. The company must protect its current market share through appropriate action.
3. Companies must try to increase their market share even though the size of the market remains the same.

Manufacturers can find new users from three groups according to Kotler and Keller (2007: 423), namely:

1. Market penetration strategies, ie people who might use it, do not use it.
2. New market segment strategies, namely people who have never used them.
3. Geographical expansion strategies, namely people who live elsewhere.

There is one strategy to speed up product replacement by linking product replacement activities with one particular vacation or special event, or one time in a year. Another possible strategy is to give consumers better information, for example:

1. When the product is first used or needs to be replaced.
2. The latest product performance levels.

Product development can also accelerate new uses. What do market leaders do to defend their territory? The leader makes continuous innovation, leads the industry in developing new products and customer services, distribution effectiveness, and reducing costs.

The strategy that should be used by PT. XYZ to win the competition according to Kotler and

Keller (2007: 432) are price discount strategy, cheaper goods strategy, prestigious goods strategy, differentiation strategy with product diversification, product innovation strategy, service improvement strategy, distribution innovation strategy, reduction strategy manufacturing costs such as more efficient purchases, lower labor costs, and more modern production equipment. The success of PT. XYZ in winning the competition is dependent on the selection of strategies to improve its position from time to time. Plant expansion by adding a deinking process can be a good strategy choice so prices can compete. PT. XYZ due to the good quality of service from PT. XYZ compared to other companies, plus competitive prices will make consumers PT. XYZ is loyal.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The results of the analysis using the Structural Equation Modeling (SEM) equation model and with the AMOS program can be concluded as follows:

1. Consumer perception of PT. XYZ has a significant and positive influence on customer satisfaction on PT. XYZ This means that the first hypothesis cannot be rejected or accepted.
2. The second hypothesis turned out to be unproven because customer satisfaction did not significantly influence customer loyalty on paper products of PT. XYZ This is due, according to experience, the price of the product is not competitive even though the quality of PT. XYZ compared to other companies is better, so consumers are inclined to buy from other companies.

Recommendations

Similar research can be deepened with a qualitative approach so that it is possible to find new theories.

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