The Effect of Service Quality and Trust on Customer Loyalty and Satisfaction: A Case Study of Online Taxi Customers in Indonesia

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Abstract:
Online taxis have begun to displace conventional public transportation. Dissatisfied with public transportation, users have switched to using online taxis, apparently due to poor service quality and low user trust in modes of public transportation. This research investigated the effect of service quality and trust on customer loyalty and satisfaction, a case study of online taxi customers in Cirebon, Indonesia. This research was conducted using quantitative survey methods. The sample size was 200 customers, and researchers employed judgment sampling and path analysis techniques. The statistical calculations suggested that service quality and customer trust had a positive and significant effect on customer satisfaction. Similarly, service quality had a positive and significant influence – and directly influenced – on customer loyalty. This study concluded that, partially, service quality and trust had a positive impact on customer satisfaction, and that customer loyalty was partly influenced by service quality, trust, and customer satisfaction. The main contribution of this study is the effect of service quality and trust on customer loyalty and satisfaction: a case study of online taxi customers in Cirebon, Indonesia.

Keyword: service quality, trust, customer satisfaction, customer loyalty

1. Introduction

Demand is increasing for a solution to public concern about the need for a fast, easy, convenient, and safe transportation mode. The presence of online application-based transportation has turned the public transportation business into a strategic issue. As technical problems and government regulations continue to develop, competition between conventional transportation and online application-based services is becoming increasingly fierce. Especially in Indonesia, for car-type transportation, Go-Car, Grab, and Uber are strong competitors of conventional taxis. The main reasons people used online transportation as their primary choice were 84.1% for low cost, 81.9% for speed, 78.8% for convenience, and 61.4% for security (YLKI, 2017). The development of online transportation is a business phenomenon that seems to be continuing to grow everywhere. It is happening while the condition of conventional public transportation services is considered to face a lot of problems.

Quality of service is at the forefront of the business of public transportation services, and it is no secret that conventional taxis are still very far from satisfying their customers. Customers complain about the condition of the vehicle, timeliness, ease of ordering, and the attitude of the drivers. The presence of an online taxi seems to provide an answer to the needs of consumers by offering better quality services. It is evidenced by the results of the YLKI
survey in 2017, which stated that the quality of online taxi services, based on users’ responses, was: 77.7% very well, 21.8% quite well, 0.4% not good, and 0.1% very badly. As for levels of disappointment, 41% of online taxi users stated they had been disappointed, and 59% had never been disappointed.

The survey results showed that consumer disappointment was quite high, which in turn can influence consumer loyalty. Loyalty has a strategic role for a company; efforts to maintain it can indirectly increase revenue, which ultimately can support the sustainability of the company. Therefore, companies’ efforts to maintain customer loyalty need to be prioritised. Efforts to create and retain loyal customers are a strategic step for every company. Sangaji and Sopiah (2013) confirmed that loyalty describes a behaviour addressed through consumer decisions to make repeat purchases. This opinion is in line with Tjiptono (2000), that customer loyalty is a positive attitude from customers, a form of commitment to a brand reflected through consistent repurchases. Griffin (1995) argued that customer loyalty is often seen from the perspective of customers’ behaviour rather than their attitude. For this reason, loyalty cannot be created instantly, but the company must design an experience involving good relationships with consumers. Loyalty is also a behaviour that is demonstrated through the firmness of the customer’s attitude in remaining loyal and continuing to make purchases in the future. Understanding customer loyalty is not limited to merely measuring purchasing routines; customers also pass judgement through their positive attitude towards products or brands or through their efforts to encourage other consumers to buy (Osman, 2013; Nuchsarapingviriya et al., 2015; Poku, 2013).

2. Literature Review and Hypotheses Development

2.1 Consumer Loyalty and Satisfaction

Loyalty is one aspect of a company’s competitive advantage that is subject to a tight competitive environment and dynamics. Loyalty cannot be separated from emotions, where loyalty is the output of repeated fulfilment of expectations, which then creates experiences that can generate satisfaction (Kishada and Wahab, 2015). By building high customer loyalty, customer satisfaction will increase. It is because dissatisfaction is one of the factors that cause consumers to move to other forms of public transportation. In other words, consumer dissatisfaction will change behaviour in purchasing decisions through customers looking for alternative means to increase satisfaction. Furthermore, consumer satisfaction is the primary indicator in assessing the quality of service (Setiawan and Sayuti, 2017). Consumers will evaluate perceived service performance directly and compare the results to their expectations. If the service quality is regarded as better than expected, this resultant higher customer satisfaction will further increase the consumer’s desire to make a repeat purchase.

Nejad, Firoozbakht, and Taghipoor (2014) stated that there are two types of customer loyalty, long-term and short-term. Customers with long-term loyalty do not easily switch to other service providers, unlike customers with short-term loyalty. Awan, Siddiquei, Jabbar, Abrar, and Baig (2015) agree that asking for beneficial and effective results from customers has parallels in customer loyalty. Meanwhile, Wilkie (2004) described customer satisfaction as the customer’s emotional response after evaluating the experience of consuming a product or service. In line with Wilkie, Mowen (1995) depicted customer satisfaction as the totality of consumer attitudes after the use of an item or service. Customer satisfaction can also be interpreted as a consumer assessment after purchase. Kotler and Keller (2009), Bitner and Zeithaml (2003), and Kotler and Armstrong (2009) stated that satisfaction is the result of a comparison between received performance and expectations so that it creates feelings of disappointment. It accords with Sumarwan’s expectancy disconfirmation model (2004), which explains the process of forming customer satisfaction, where satisfaction is the result
of a comparison between expectations before purchasing with actual performance after the consumer makes a purchase.

Customer satisfaction is a measure of the company’s future business success; it illustrates the customer’s response to the future of the company’s business. It is reinforced by Schnaars (1991), who stated that the essence of a company’s goal is how to make customers feel satisfied. If customers feel satisfied, loyal customers will be created, and loyal customers are valuable assets for the company. Satisfaction, or lack thereof, also implies a person’s feelings of pleasure or disappointment because of the process of evaluating performance received against expectations (Kotler and Keller, 2009; Hafeez and Muhammad, 2012). Thus, satisfaction occurs when there is an emotional response while the customer evaluates the perception of service against the results achieved (Kandampully and Juwaheer, 2009).

The study of Beneke, Hayworth, Hobson, and Mia (2012) concluded that physical aspects and personal interactions had a direct relationship to customer satisfaction. Customer satisfaction was also confirmed as positively linked to customer loyalty. Rust and Zahorik (1993) explained that customer satisfaction had a direct influence on loyalty. Auh and Johnson (2005), Bodet (2008), and Smith and Rangaswamy (2003) inferred from research results that consumer satisfaction had a positive and strong influence on customer loyalty. Meanwhile, Vesel and Zabkar (2009) stated that customer satisfaction is one of the determinant factors in customer loyalty.

Perceived service quality equates to customer expectations that have a positive and direct effect on customer satisfaction (Yu, Zhang, Kim, Chen, Henderson, Min and Huang, 2014). Gronroos (2001) also stated that service quality has traditionally been conceptualised as the difference between customer expectations and the services received. In addition to service quality, trust is a crucial factor in creating customer loyalty. It is a pretty important factor for creating and building long-term relationships with customers (Singh and Sirdeshmukh, 2000). According to Sangadji and Sopiah (2013), consumer trust is the overall information obtained by consumers, which results from consumer evaluations that the products or services offered have objects, attributes, and benefits. Thus, trust is one of the causes of customer loyalty. Trust is an adhesive that enables mutual trust between the company and others in managing resources effectively to create added value.

From the presentation of the theory and referring to the results of previous studies, the formulation of the hypotheses is as follows:

*H1: Service quality has a positive effect on customer satisfaction.*

*H2: Trust has a positive effect on customer satisfaction.*

*H3: Service quality has a positive effect on customer loyalty.*

*H4: Trust has a positive effect on customer loyalty.*

*H5: Consumer satisfaction has a positive effect on customer loyalty.*

### 3. Methodology

This research used descriptive and verification methods. The descriptive method is a method for describing or explaining a research result (Sugiyono, 2012). The verification method is a method aimed at describing the relationship or influence among variables by collecting, processing, analysing, and interpreting data in testing the statistical hypotheses (Sugiyono, 2009).

It was carried out using a survey method conducted on online taxi service users in the Cirebon area. In order to select respondents, the sampling technique used was judgement sampling. This method was done by selecting respondents who felt they could provide the information needed, and it contained 200 samples to be determined by researchers. This study
also employed path analysis as an analysis tool. The criteria for respondents who would be sampled were those who had used online taxi services more than twice.

To collect the data needed, a questionnaire was distributed to respondents. Questionnaires were the data collection tools, where respondents were asked to provide answers to a number of questions that had been determined. The questionnaire was arranged using an interval scale of 1 to 10.

4. Results
4.1 Service Quality

The results of the study showed that thirteen indicators, which were used to measure the quality of service, produced a medium categorised value with an average of 74.72, with the conclusions from each indicator. For the physical evidence, it was obtained an index value of 73.05, which proved that consumers were satisfied with the physical evidence they experienced, especially the condition of online taxis. It was proved by consumers giving a ‘good enough’ value to the physical evidence perceived.

Responsiveness received an index value of 77.19, which confirmed that online taxis provided services that were quite responsive, as evidenced by the ‘fairly good’ value submitted by respondents. Whereas, reliability got a value of 71.14, the lowest value compared to four other indicators. It demonstrated that consumers felt the security of luggage was safe in an online taxi, proved by a ‘fairly good’ value given by respondents.

Further, service guarantee obtained a value of 76.33, which indicated that consumers were satisfied with the guarantee provided by online taxis – customers agreed with the statement that the online taxi guaranteed its customers would reach their destinations. Meanwhile, empathy had a score of 75.89, which verified that online taxi drivers understood the needs of passengers, who felt cared for and satisfied with the services provided. It was proved by the high value given by customers.

4.2 Trust

The results of the study showed that the three indicators, which were used in measuring trust, returned values that were categorised as moderate, with an average of 77.59. The trust of the attribute object obtained an index value of 78.90. This indicator received a reasonably high score compared to the other two indicators, which proved that respondents felt that online taxis had a good name in the minds of consumers.

In addition, trust in the benefits attributes got an index value of 88.24. It gained the highest value compared to the other two indicators, which confirmed that respondents felt easier when travelling in an online taxi. Moreover, trust in the benefits object acquired an index value of 73.62, the lowest value compared to the other two indicators. It suggested the conclusion that respondents were quite comfortable in an online taxi when travelling out of the house.

4.3 Consumer Satisfaction

The results of the study showed that of the three indicators used in measuring customer satisfaction, the values were categorised as high, with an average of 80.95. Satisfaction with the product received an index value of 79.95, the highest score compared to the other two indicators. It demonstrated that the respondents were very satisfied with the services offered by online taxis.

Besides, satisfaction with services got an index value of 77.57, the lowest value compared to the other two indicators. It confirmed that respondents were less satisfied with the services provided. Further, satisfaction with after-sales service obtained an index value of
78.14, the second-highest score compared to the other two indicators. It proved that respondents felt satisfied with after-sales services offered by online taxis.

### 4.4 Customer Loyalty

The results showed that the three indicators used in measuring customer loyalty resulted in a medium categorised value of 69.10, with conclusions for each indicator as follows:

a. Making repeat purchases got an index value of 81.19, the highest value of the three, which proved that customers were sufficiently satisfied with the online taxi to make repeated purchases.

b. The desire to obtained an index value of 78.76. This indicator received the second-highest score, which confirmed that respondents recommended online taxis to other people.

c. Immunity to competitors acquired a value of 77.38, which showed that respondents were unclear about the attraction of competitors’ online taxis.

Table 1. Sub-structure Path Coefficients 1

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardised coefficients</th>
<th>Standardised coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>15.222</td>
<td>2.407</td>
<td>6.325</td>
<td>.000</td>
</tr>
<tr>
<td>1 Service quality</td>
<td>.095</td>
<td>.047</td>
<td>.140</td>
<td>2.047</td>
</tr>
<tr>
<td>Trust</td>
<td>.199</td>
<td>.083</td>
<td>.165</td>
<td>2.410</td>
</tr>
</tbody>
</table>

*Dependent variable: consumer satisfaction

Based on the Table 1, it can be concluded that service quality influences customer satisfaction. This condition was reflected in the beta coefficient of 0.140. Prob value 0.42 (p <0.05) showed that the hypothesis, which stated that service quality had a significant effect on customer satisfaction, was acceptable. Similarly, trust also influenced customer satisfaction. It could be seen from the beta coefficient of 0.165 and the prob value 0.17 (p <0.05), where the condition indicated that trust had a significant effect on customer satisfaction. Thus, the hypothesis stating that trust influenced customer satisfaction could be accepted.

Table 2. Coefficients* – sub-Structure 2

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardised coefficients</th>
<th>Standardised coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>5.909</td>
<td>2.570</td>
<td>2.299</td>
<td>.023</td>
</tr>
<tr>
<td>1 Service quality</td>
<td>.192</td>
<td>.046</td>
<td>.274</td>
<td>4.180</td>
</tr>
<tr>
<td>Trust</td>
<td>.183</td>
<td>.082</td>
<td>.147</td>
<td>2.226</td>
</tr>
<tr>
<td>Consumer satisfaction</td>
<td>.141</td>
<td>.068</td>
<td>.137</td>
<td>2.078</td>
</tr>
</tbody>
</table>

*Dependent variable: consumer satisfaction

From the Table 2, it is revealed that service quality, trust, and customer satisfaction have an influence on customer loyalty. It was as indicated by the beta coefficient for service quality of 0.274, the trust of 0.147, and consumer satisfaction of 0.137. Whereas, seen from
the probability value, the service quality was 0.000 ($p < 0.05$), trust was 0.027 ($p < 0.05$), and consumer satisfaction was 0.039 ($p < 0.05$). It indicated partially that service quality, satisfaction, and customer satisfaction had a significant influence on customer loyalty. The path coefficient of service quality and satisfaction with customer satisfaction and their impact on customer loyalty can be seen in the table below:

<table>
<thead>
<tr>
<th>Exogen variable</th>
<th>Variable</th>
<th>Effect</th>
<th>Common effect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Direct effect</td>
<td>Indirect effect</td>
</tr>
<tr>
<td>Service quality</td>
<td>Consumer satisfaction</td>
<td>.140</td>
<td>-</td>
</tr>
<tr>
<td>Trust</td>
<td>Consumer satisfaction</td>
<td>.165</td>
<td>-</td>
</tr>
<tr>
<td>X1 and X2</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Service quality</td>
<td>Customer loyalty</td>
<td>.274</td>
<td>.038</td>
</tr>
<tr>
<td>Trust</td>
<td>Customer loyalty</td>
<td>.147</td>
<td>.020</td>
</tr>
<tr>
<td>Consumer satisfaction</td>
<td>Customer loyalty</td>
<td>.137</td>
<td>-</td>
</tr>
<tr>
<td>X1, X2 and X3</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Based on the Table 3, service quality has a direct effect of 0.140 on customer satisfaction and a direct impact of 0.274 on customer loyalty. Trust had a direct influence of 0.165 on customer satisfaction, and a direct effect of 0.147 on customer loyalty, while consumer satisfaction had a direct impact of 0.137 on customer loyalty. Meanwhile, service quality and trust, besides having a direct effect on customer loyalty, also had an indirect influence through customer satisfaction of 0.038 and 0.020, respectively.

From the results of the calculation of the path coefficient in sub-structure 1 and sub-structure 2, the overall causal relationship between variables X1, X2, and X3 can be described as follows:

![Figure 1. Research Framework](image)

In the diagram above, it can be explained that service quality (X1) and trust (X2) have a direct effect on customer satisfaction (X3); however, it can also indirectly influence customer satisfaction mediation variables (X3) first, then customer loyalty (Y). A direct relationship occurs if one variable influences the other without any mediating variable that mediates the
relationship. An indirect relationship occurs if the mediating variable mediates the relationship between the exogenous and endogenous variables. The significance of the indirect effect was revealed by using the Sobel test. It was said to be significant if $t$-count > $t$-table. The error standard was calculated with the following formula:

$$S_{ab} = \sqrt{b^2 S_a^2 + a^2 S_b^2 + S_a^2 S_b^2 \sqrt{b^2 S_a^2 + a^2 S_b^2}}$$

The Sobel test results suggested that customer satisfaction could mediate service quality on customer loyalty, but customer satisfaction could not mediate between trust in customer loyalty.

4. Discussion

5.1 Effect of Service Quality on Consumer Satisfaction

Based on the results of the analysis of the effect of service quality on customer satisfaction, service quality could improve the satisfaction of online taxi consumers. The results of the study revealed a positive and significant influence of service quality on customer satisfaction. The level of significance was smaller than $\alpha$ ($\alpha < 0.05$), with a path coefficient of 0.140, and a Sig value of 0.042 < 0.05. The results of this study support previous research conclusions by Widiyanto and Juan Suam Toro (2012), Setiawan and Sayuti (2017), Hidayat, Saifullah, and Ishak (2016), that service quality had a positive and significant effect on customer satisfaction. It indicates that every time the company improves the quality of its service, customer satisfaction can increase.

In addition, service quality also had a significant influence on customer satisfaction. It showed that one aspect of determining customer satisfaction was the quality of service. If the quality of service expected by consumers is in accordance with their experience before using an online taxi service, it will create satisfaction, and consumers will continue to use the services offered. The assessment of service quality is based on the difference between the ideal and the actual. If something is expected to be the same as what is experienced, consumers will feel satisfied. However, if what consumers expect is better than what they experience, they will feel dissatisfied. Satisfaction is the result of consumers’ perceptions of service quality after using online taxis, where the services provided meet consumer expectations. Thus, it could be concluded that the indicator of increasing customer satisfaction was shown by improving service quality.

5.2 Effect of Trust on Consumer Satisfaction

Based on the results of testing the influence of trust on customer satisfaction – and the trust variable could increase the satisfaction of consumers with online taxis – the study found a positive and significant impact on the variable trust in customer satisfaction, with a level of significance smaller than $\alpha$ ($\alpha < 0.05$), and with a path coefficient of 0.147. The results of this study are consistent with the results of previous research findings conducted by Hidayat (2016), where service quality and trust affected customer satisfaction simultaneously. It means that every time online taxis improve service quality and trust, they can increase customer satisfaction.

Moreover, trust is the willingness of consumers to depend on other parties, based on all knowledge held by consumers. This opinion is supported by Mowen and Minor (1998), who stated that consumer trust is the ‘overall knowledge and conclusions made by consumers regarding an object, attributes, and benefits.’ Also, it is in line with the commitment-trust theory of Morgan and Hunt (1994) regarding relationship marketing.
5.3 Effect of Service Quality on Customer Loyalty

Based on the results of testing the effect of service quality on customer loyalty, it was known that service quality could increase the loyalty of taxi customers online. The results of the study presented a positive and significant effect of service quality on customer loyalty, with a significance level of less than α (α < 0.05), and with a path coefficient of 0.274. It means that Ho was accepted. The results of this study support previous research findings that service quality had a positive and significant effect on customer loyalty – so that every time the company improves its service quality, it can increase customer loyalty (Nuchsarapringviriya and Fadzil, 2015; Osman, 2013; Poku, Zakari, and Soall 2013). Loyalty is the commitment and consistency of consumers in using products and services offered. Moreover, consumer loyalty is a deep commitment, firmly held, to make repeated purchases of a product or service in the future, despite the situational influences and potential of promotional efforts at brand displacement.

5.4 Effect of Trust on Customer Loyalty

Based on the results of testing the effect of trust on customer loyalty, the trust variable could increase the loyalty of taxi customers online. The results of the study obtained a positive and significant influence of service quality on customer loyalty, indicated by a significance level of less than α (α < 0.05), and a path coefficient of 0.147. It means that Ho was accepted. Therefore, the results of this study are in concord with previous research conducted by Osman (2013), Hidayat, Saifullah, and Ishak (2016), Setiawan and Sayuti (2017), Widiyanto and Toro (2012), who discovered that trust had a positive and significant influence on customer loyalty.

Loyalty is loyalty; it can be interpreted as a situation where a consumer always uses the same product or service and never uses other similar products or services. Unidha (2017) stated that loyalty is a positive attitude and commitment by a consumer towards a brand and that consumer wants to continue such purchases in the future. Further, according to Iqbal and Shah (2016), trust is essential for service provider companies, because they make promises to their customers, who purchase products that cannot be seen. Trust plays a vital role in shaping loyalty: it represents a promise by the company to its customers, and the company must commit to keeping such promises.

5.5 Effect of Consumer Satisfaction on Customer Loyalty

Based on the results of the analysis that examined the effect of customer satisfaction on customer loyalty, it was known that customer satisfaction could increase the loyalty of taxi customers online. The results of the study displayed a positive and significant effect on service quality on customer loyalty, indicated by a level of significance less than α (α < 0.05), and with a path coefficient of 0.137. It means that Ho was accepted. Consequently, the results of this study are corresponding to the research conducted by Minth and Huan (2016), Iqbal and Shah (2016), and Soliha et al. (2019), who uncovered that consumer satisfaction had a positive and significant effect on customer loyalty.

Customer loyalty is the primary key to the success of a company, where loyal consumers can help indirectly to develop the company. Consumer loyalty is crucial for a company – both in services and products (goods) – in increasing profits, because if consumers are not loyal to the product of a company, then they will undoubtedly turn to other products. One way to improve customer loyalty is by providing good service, which is expected to make customers return to transactions with the company. Loyalty is not formed just like that; there is a purchasing process, then the use of products and services until consumers feel satisfied. Customer loyalty is then formed, as argued by Feliks and Panjaitan
(2014), who stated that loyalty is formed after the purchase process because it is based on experience in using goods or services and their perceived quality.

5. Conclusion

Based on the results and discussion of the research, it was revealed that service quality had a positive and significant effect on customer satisfaction, which means that improving service quality will also increase customer satisfaction. In addition, the trust had a positive and significant impact on consumer satisfaction, which means that increased trust will increase customer satisfaction. Further, service quality had a positive and significant effect on customer loyalty, which means improving service quality will also increase customer loyalty. Besides, the trust had a positive and significant impact on customer loyalty, meaning that the increase in the trust will also increase customer loyalty. At last, consumer satisfaction had a positive and significant influence on customer loyalty, meaning that increasing customer satisfaction will also increase customer loyalty.

References


