

**UPSHOT OF SERVICE AND PRICES ON LOYALTY  
THROUGH SATISFACTION AS INTERVENING VARIABLES**

(Case study in "PALAPA TOSERBA" SURABAYA)

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**ABSTRACT**

Abstract. This study is intended to determine the effect of service and price on customer satisfaction and their impact on customer loyalty at "Palapa Toserba" Surabaya. The population used in this study were all consumers in "Palapa Toserba" Surabaya. The sampling technique used is a *non-probability sampling technique* precisely *accidental sampling*, which is a sampling technique based on chance, that is, all members of the population who coincidentally meet with the researcher can be sampled in the study. The sample used in this study was 75 respondents. The test tool used is a path analysis technique *with the help software* SPSS 17.0. From the results of the study concluded that: 1). Service has a direct and significant effect on customer loyalty at "Palapa Toserba" Surabaya, 2). Price has a direct and significant effect on customer loyalty at "Palapa Toserba" Surabaya, 3). Service has a direct and significant effect on customer satisfaction at "Palapa Toserba" Surabaya, 4). Price has a direct and significant effect on customer satisfaction at "Palapa Toserba" Surabaya, 5). Customer satisfaction has a direct and significant effect on customer loyalty at "Palapa Toserba" Surabaya, 6). Service has an indirect effect on customer loyalty through customer satisfaction at "Palapa Toserba" Surabaya, 7). Price has an indirect effect on customer loyalty through customer satisfaction at "Palapa Toserba" Surabaya

**Keywords:** *Training, Individual Characteristics, Work Environment, Performance*

## INTRODUCTION

The growth of the retail sector in Indonesia in 2015, according to the predictions of the Retail Entrepreneurs Association Indonesia (Aprindo), will grow 12% to Rp.188.16 trillion, compared to the realization in 2014 ago, which was around Rp. 168 trillion. According to *the Head of Department of Data and Market Information*, Aprindo Roy Mandey, there are 3 main factors that influence retail growth in Indonesia, namely stable economic growth in the range of 5% and above, Indonesia's population continues to increased and even most of the status of the middle class, as well as the lifestyle of the Indonesian population who likes new products.(Daniarto, 2015).

Retail companies must be able to design appropriate marketing strategies in achieving company goals, one of the factors that influence the stages in the buying process carried out by consumers is pricing and services by retail companies (Kotler, 2014:519).

Setting the right price in accordance with the services and performance offered by the company can create customer satisfaction, satisfied consumers can create consumer loyalty. Prices play an important role both macro (for the economy in general) and micro (for consumers and companies). For the economy, prices can affect the level of wages, rent, interest, and so on; for consumers, price can be one of the considerations in making purchasing decisions while for companies, price is the only element of the marketing mix that generates revenue. Competitive prices according to the type and market segment. Consumers tend to choose a product or brand that they already know rather than a product or brand that they have not known before (Tjiptono, 2015:151).

Determining the right price and in accordance with the services and performance

offered by the company can create customer satisfaction, then satisfied consumers can create consumer loyalty. Prices play an important role both macro (for the economy in general) and micro (for consumers and companies). For the economy, prices can affect the level of wages, rent, interest, and so on; For consumers, price can be one of the considerations in making purchasing decisions, while for companies, price is the only element of the marketing mix that generates revenue (Tjiptono, 2015:183).

This research was conducted at the "Palapa Toserba" Surabaya which is an integrated shopping place that sells various items, from daily necessities, kitchen necessities, household furniture, bedroom furniture, bathroom furniture, cosmetics, and so on. In recent years, "Palapa Toserba" Surabaya has also experienced problems related to the decline in sales of the products sold and the number of customer complaints. The decline in sales of these products and the increasing number of customer complaints at "Palapa Toserba" Surabaya is a phenomenon that must be resolved and the cause is sought. The management of "Palapa Toserba" Surabaya must immediately take action so that the problem can be resolved immediately. The decline in sales of these products indicates a decrease in customer loyalty and satisfaction to remain loyal to make purchases of products sold at Palapa Toserba " Surabaya. There are several factors that can cause a decrease in customer loyalty and satisfaction at Palapa Toserba " Surabaya, one of which is are the prices of products at the Palapa Toserba" Surabaya which continues to increase, as well as the service of employees of Palapa Toserba" Surabaya to consumers who are not satisfactory.

Based on the results of research conducted by Aris (2017), it shows that customer satisfaction is the mediation between price and customer loyalty, service is the largest

variable that affects customer loyalty, and promotion is the smallest variable that affects customer loyalty.

Therefore, the researcher intends to conduct a study entitled: The Effect of Service and Price on Loyalty through Satisfaction as an Intervening Variable at "Palapa Toserba" Surabaya

## **THEORETICAL FRAMEWORK AND HYPOTHESES**

### **Services**

Laksana (2015:86), the definition of quality is as follows: "*quality is degree of excellent intended and the control of variability in achieving that excellent in meeting the customer requirements*". It is said that quality is the expected level of quality and control of diversity in achieving that quality to meet consumer needs. To be able to provide good service quality, it is necessary to foster close relationships between companies in this case are employees and service users.

Parasuraman, Zeithaml, & Leonard (2015:44): "*Service quality is the customer perception's of the superiority of the service*". This means that service quality is the customer's perception of the superiority of a service. Basically only customers judge the quality of a business entity's service quality or not.

Harmani (2015:41) service is an activity carried out by a person or group of people on the basis of material factors through a system of certain procedures and methods in an effort to fulfill the interests of others, it can be explained that services are all activities carried out by other parties to fulfill the interests of others. or needs of others so that they feel a sense of satisfaction.

Tjiptono, (2015:85) defines service as a measure of how well the level of service provided is able to meet customer expectations. Service quality is centered on meeting the needs and desires as well as the accuracy of service delivery to balance customer expectations. Services here are all kinds of services provided by retail outlet owners to consumers to assist and provide information about the products sold and influence consumers to make purchases by providing friendly and pleasant services.

According to Aris (2017:7) that service is formed by 5 indicators, including:

1. Employees are able to understand consumer desires
2. Employees are friendly to consumers
3. Employees are willing to help consumer difficulties
4. Employees are able to answer questions accurately
5. Employees are attentive to all consumers without distinction

### **Price**

Assauri (2016:33) states that price is an element of the *marketing mix* that generates sales revenue, while other elements only incur costs, because they generate sales revenue, then the price affects the level of sales, the level of profit, and the market share obtained by the company. company.

Alma (2014:169) the notion of price is an attribute attached to an item that allows the item to meet needs, wants and satisfy consumers, which is expressed in money.

Tjiptono, (2015:151) states that the price is a monetary unit or other measure (including other goods and services) that is

exchanged in order to obtain the right of ownership or use of a good or service. This understanding is in line with the concept of *exchange* in marketing. So it can be said that the price depends on the negotiating ability of the seller or buyer to obtain an agreed price according to the wishes of each party, so that initially the seller will set a high price and the buyer will set the lowest price offer.

Lupiyoadi (2015:61) states that *pricing* very significant in providing *value* to consumers and influencing product image, as well as consumer decisions to buy. Price is also related to income and also influences *supply* or *marketing channels*. However, the most important thing is that the decision in price must be consistent with the overall marketing strategy.

According to Khoirulloh & Wulan (2018:7) that price is measured using 3 indicators, including:

1. Price affordability
2. Price suitability with product quality
3. Power price competitiveness

### **Customer Satisfaction**

Kotler & Keller (2014: 23) that *satisfaction* is a feeling of pleasure or disappointment that arises from comparing the product's perceived performance (or outcome) to their expectations. If performance fails to meet expectations, customers will be dissatisfied. If performance matches expectations, customers will be satisfied, and vice versa if performance can meet expectations, customers will be satisfied. Customer ratings of product performance depend on many factors, especially the type of loyalty relationship a customer has with a brand. Consumers often form more favorable

perceptions of a product with a brand they already perceive as positive.

Tjiptono & Chandra (2016:195) that the word *satisfaction* (*satisfaction*) comes from the Latin "*satis*" (meaning good enough, adequate) and "*facio*" (doing or making). Satisfaction can be interpreted as "efforts to fulfill something" or "to make something adequate". Oliver (2015) in his book entitled "*satisfaction: A Behavioral Perspective On The Customer*" states that everyone understands what satisfaction is, but when asked to define it, no one seems to know.

Mowen (2015:89) states that consumer satisfaction is the overall attitude shown by consumers towards goods or services after they obtain and use them. This is a post-election evaluative judgment caused by the specific purchase selection and experience of using or consuming the goods or services.

Laksana (2015:10) states that customer satisfaction can be defined simply as a situation where the needs, desires and expectations of customers can be met through the products consumed.

According to Aris (2017:7) that Consumer Satisfaction is formed by 3 indicators, including:

1. Consumers are satisfied with the services provided
2. Consumers are satisfied with the price offered
3. Consumers are satisfied overall

### **Customer Loyalty**

Kotler & Keller (2014:178) that loyalty *is* a deeply held commitment to buy or re-support a preferred product or service in the future even though the influence of the situation

and marketing efforts has the potential to cause customers to switch.

Tjiptono & Chandra (2016:481) that loyalty is a repurchase behavior that solely involves buying the same particular brand repeatedly (this could be because there is only one available brand, the cheapest brand and so on).

Griffin (2014:4), that loyalty is a buying behavior on a regular basis or there is a condition where it requires consumers to buy at least twice in a certain time interval.

Lupiyoadi (2015:6) that customer loyalty is a customer attitude that supports a brand more than several other alternatives and re-subscribes.

According to Aris (2017:8) that customer loyalty is measured using 4 indicators, including:

1. Reusing at another time
2. Not wanting to move to another place in the near future
3. Being the main choice for consumers
4. Recommending

the influence of service on satisfaction  
Customer

Laksana (2015:96) that thus satisfaction and dissatisfaction is a comparison between customer expectations and the reality of service quality perceived by customers which is the company's goal to always be satisfied.

### **The Effect of Price on Customer Satisfaction**

Lupiyoadi (2015:61) states that the pricing very significant in providing *value* to consumers and affects *image*, consumer

decisions to buy and consumer satisfaction. Price is also related to income and also influences *supply* or *marketing channels*. However, what is most important is that pricing decisions must be consistent with the overall marketing strategy.

### **The Effect of Service on Customer Loyalty**

Laksana (2015:86) states that the effect of service quality on satisfaction is explained as follows: "*if the service performs at the level that is expected or predicted, the satisfaction level is considered to be just OK*". given to customers as expected it will provide satisfaction. Thus the quality of service continues to be improved so as to achieve what is expected by the customer, it will be satisfied.

### **The Effect of Price on Customer Loyalty**

Lupiyoadi (2015:61) states that the pricing very significant in providing *value* to consumers and affects *image*, as well as consumer loyalty in buying. Price is also related to income and also influences *supply* or *marketing channels*. However, the most important thing is that consumer loyalty in price must be consistent with the overall marketing strategy.

### **The Effect of Customer Satisfaction on Customer Loyalty**

Kotler & Armstrong (2014:188), customer satisfaction is the result felt by buyers who experience the performance of a company in accordance with their expectations. Customers are satisfied when their expectations are met and are very happy when their expectations are exceeded. Satisfied customers tend to stay loyal longer. Excited customers create emotional attachment to products and services, not just rational choices and this creates high customer loyalty.

Based on the theoretical basis put forward, the following is the theoretical framework outlined in the research model as shown in the following figure:

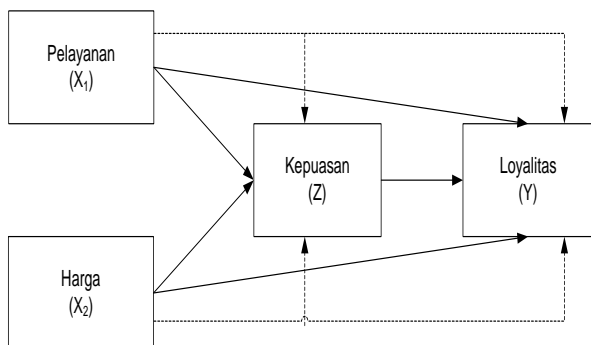


Figure 1 : theoretical framework

In this study, the hypothesis to be tested by the researcher is as follows:

1. Service has a direct effect on customer loyalty at "Palapa Toserba" Surabaya
2. Price has a direct effect on customer loyalty at "Palapa Toserba" Surabaya
3. Service has a direct effect on customer satisfaction in "Palapa Toserba" Surabaya
4. Price has a direct effect on customer satisfaction at "Palapa Toserba" Surabaya
5. Customer satisfaction has a direct effect on customer loyalty at "Palapa Toserba" Surabaya
6. Service has an indirect effect on customer loyalty through customer satisfaction at "Palapa Toserba" " Surabaya
7. Price has an indirect effect on customer loyalty through customer satisfaction at "Palapa Toserba" Surabaya

Companies that have competence in the fields of marketing, manufacturing and innovation can make its as a souch to achieve

competitive advantage (Daengs GS, Istanti, Negoro, & Sanusi, 2020:1419).

To find out the results of the data, the technique of data analysis is also use to test to the hypotheses put forward by the researchers, because the analysis of the data collected to determine of the effect of the independent variables on the related variables is use multiple linier statistical test. (Istanti, Sanusi, & Daengs GS, 2020:113).

The research design is a plan to determine the resources and data that will be used to be processed in order to answer the research question (Soemantri & Daengs GS, 2020:5).

Time management skills can facilitate the implementation of the work and plans outlined (Dewi, Daengs GS, Khusniyah, & Qomariah, 2020:14).

Standard of the company demands regarding the results or output produced are intended to develop the company (Istanti, Negoro, & Daengs GS, 2021:560).

## RESEARCH METHODS

### Classification of Sample

Population is a generalization area consisting of: objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions (Sugiyono, 2016:80).

The object used in this study is Palapa Toserba" Surabaya, while the population used is all consumers at "Palapa Toserba" Surabaya, in September & October 2019

The sample is part of the number of characteristics possessed by the population. The sampling technique used is is a *non-probability sampling technique* precisely *accidental sampling*, which is a sampling technique based on chance, that is, all members of the

population who coincidentally meet with researchers can be sampled in research (Sugiyono, 2016:80).

According to Ferdinand (2015:225), in multivariate including those using multivariate) the size of the sample is determined by 25 *independent* (independent). In this study, there are 3 independent variables, so the number of respondents used by the researcher is 75 respondents. (Remarks: 25 x 3 variables = 75 respondents). used in this study as many as 75 consumers in "Pal What's the "Surabaya Department Store"

### **Operational Definition of Training Variables**

(X<sub>1</sub>) is that services are all actions or performances that one party can offer to another which are essentially intangible and do not result in any ownership, including: employees are able to understand consumer desires, employees are friendly to consumers, employees are willing to help consumers with difficulties, employees are able to answer questions accurately, and employees are attentive to all consumers without discriminating

Price (X<sub>2</sub>) is a monetary unit or other measure (including other goods and services) that are exchanged in order to obtain ownership rights or use of an item or service, include: price affordability, price conformity with product quality, and price competitiveness

Satisfaction (Z) is a person's feeling of pleasure or disappointment that arises after comparing the performance (results) of the product that is thought to the expected performance, including: consumers are satisfied with the services provided, satisfied customer with the price offered, and consumers are satisfied overall

Loyalty (Y) is a customer attitude that supports a brand more than several other

alternatives and re-subscribes, including: includes: reuse at another time, do not want to move to another elsewhere in the near future, become the top choice for consumers, and recommend

### **Path Analysis**

Path analysis is a development of regression analysis. In the regression analysis, efforts to study the relationship between variables never question why the relationship exists or not. In addition, it is never questioned whether the relationship between the dependent variable (Y) and the independent variable (X) is caused by the X or independent variable itself or there are other variables between the two variables so that the X variable does not directly affect the Y variable but there are other variables as intermediate or intervening variables.

When conducting path analysis, the following assumptions should be considered:

1. The relationship between variables must be linear and additive.
2. All residual variables have no correlation with each other.
3. Patterns of relationships between variables and recursive.
4. The level of measurement of all variables is at least an interval.

In the path analysis of the causal variables between the independent variable (X) and the dependent variable (Y), research was conducted.

### *Path Analysis*

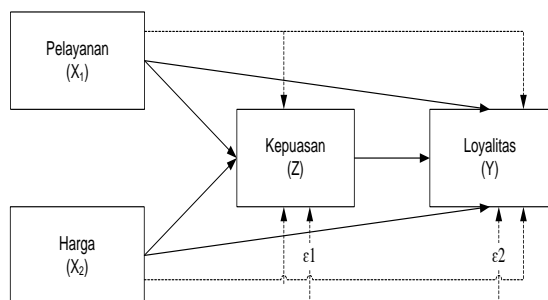


Figure 2. theoretical framework

In this study the path diagram is as follows:

- Variable X as an exogenous variable because the direction of the arrow goes out towards variable Z and variable Y.
- Variable Z as an intervening variable because as an intermediary between variable X and variable Y
- Variable Y as an endogenous variable because the direction of the incoming arrow from the variable X and variable Z.

The equation in the image above can be written as follows:

$$\text{Equation I} : Z = ZX1 + ZX2 + e1$$

$$\text{Equation II} : Y = YX1 + YX2 + YZ + e2$$

Description :

$X_1$  = Service

$X_2$  = Price

Z = Satisfaction

Y = Loyalty

ZX1 = path coefficient from  $X_1$  to Z

ZX2 = path coefficient from  $X_2$  to Z

YX1 = path coefficient from  $X_1$  to Y

YX2 = path coefficient from  $X_2$  to Y

YZ = path coefficient of Z to Y

YZX1 = path coefficient from  $X_1$  to Z to Y

YZX2 = path coefficient from  $X_2$  to Z to Y

Path coefficients are *standardized coefficients* that can be calculated with *unstandardized coefficients* (Garson, 2015:148).

### Hypothesis Testing

Each path has an error probability value (p) therefore hypothesis testing no longer uses the t test and F test but uses the error probability. To find out whether the results of the path analysis are significant or not, it can be seen through the following chart:

Table 1

Research Variable Path

No	Path	Coefficient	Probability
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		Path	Error (prob)
1	X <sub>1</sub> --> Y	YX1	Prob <sub>YX1</sub>
2	X <sub>2</sub> --> Y	YX2	Prob <sub>YX2</sub>
3	X <sub>1</sub> --> Z	ZX1	Prob <sub>ZX1</sub>
4	X <sub>2</sub> --> Z	ZX2	Prob <sub>ZX2</sub>
5	Z --> Y	YZ	Prob <sub>YZ</sub>
6	X <sub>1</sub> --> Z - -> Y	YZX1	Prob <sub>YZX1</sub>
7	X <sub>2</sub> --> Z - -> Y	YZX2	Prob <sub>YZX2</sub>

Criteria for Acceptance and Rejection:

- a. If the probability < 0.05 then Ho is rejected and Hi is accepted so that the coefficient on the path is significant.
- b. If the probability > 0.05 then Ho is accepted and Hi is rejected so that the coefficient on the path is not significant.

**Sobel Analysis (Sobel Test)**

Sobel analysis was used to determine the effect of the mediator variable, namely capital expenditure. Testing the mediation hypothesis can be done using a procedure developed by Sobel (1982) and known as the *Sobel Test*.

The Sobel test is carried out by testing the strength of the indirect effect of the independent (X) on the dependent (Y) through the intervening variable (Z). The indirect effect of X to Y through Z is calculated by multiplying path X --> Z (a) by path Z --> Y (b) or ab

So the coefficient  $ab = (cc^1)$ , where c is the effect of X on Y without controlling for Z, while  $c^1$  is the coefficient of the effect of X on Y after controlling for Z. Standard error coefficients a and b are written as Sa and Sb, the size of the standard error is indirect (*indirect effect*)  $S_{ab}$  is calculated by the following formula:

$$S_{ab} = a^2sb^2 + b^2sa^2 + sa^2sb^2$$

Description:

a = correlation coefficient X --> Z

b = correlation coefficient Z --> Y

ab = multiplication result Correlation coefficient X --> Z with coefficient correlation Z --> Y

Sa = Standard error coefficient a

Sb = Standard error coefficient b

Sab = Standard error indirect (*indirect effect*)

To test the significance of the indirect effect, calculate the t value of the coefficient ab with the following formula:

$$t = \frac{ab}{S_{ab}}$$

*Sat*

The value of tcount is compared with ttable and if tcount is greater than the value of ttable, it can be concluded that there is a mediation effect.

**RESEARCH RESULTS AND DISCUSSION**

**Path Analysis**

test *path analysis* with the path coefficient value or *standardize* for each variable.

Test Results *Path Analysis*

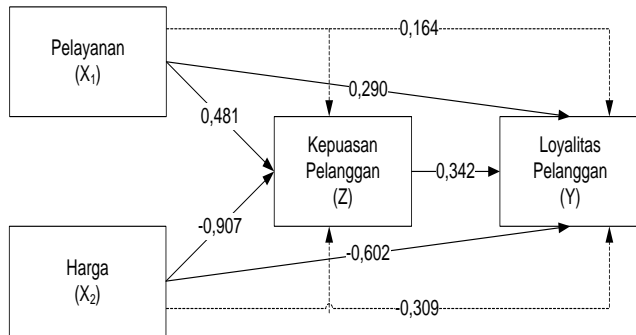


Figure 3 Test Results *Path Analysis*

Analysis Description and Equation:

a. Analysis used is analysis path (*path analysis*) is used to explain the direct and indirect effects of a set of variables, as causal variables, to a set of other variables which are effect variables.

b. The equation used is can be written as follows:

$$\text{Equation 1: } Y = 0.290 X_1 - 0.602 X_2 + 0.342 Z + e_1$$

$$\text{Equation 2: } Z = 0.481 X_1 - 0.907 X_2 + e_2$$

**T-test**

Each path has a probability error value (p) therefore hypothesis testing uses the t-test and error probability.

Criteria for Acceptance and Rejection in the t-test are as follows:

- c. If the probability < 0.05 then Ho is rejected and Hi is accepted so that the coefficient on the path is significant.
- d. If the probability > 0.05 then Ho is accepted and Hi is rejected so that the coefficient on the path is not significant.

(*path analysis*) (*direct effect*) is seen in the following table:

Table 2

(*Path Analysis*) For Direct Effect (*Direct effect*)

No.	Path	Standardized Coefficients (Coefficient Path)	Probability Error (prob)	Note
1	X1 --> Y	0.290	0.015	There is a Significant Effect
2	X2 --> Y	-0.602	0.000	There is a Significant Effect
3	X1 --> Z	0.481	0.000	There is a Significant

				Effect
4	X2 --> Z	-0.907	0.000	There is a Significant Effect
5	Z --> Y	0.342	0.000	There is a Significant Effect

From the table it can be seen that:

1. The magnitude of the coefficient value (*loading*) between Services (X1) and Customer Loyalty (Y) is 0.290, sig 0.015 < 0.05, so the path coefficient on Service (X1) against Customer Loyalty variable (Y) is Significant
2. The magnitude of the coefficient value (*loading*) between Price (X2) and Customer Loyalty (Y) is -0.602, sig 0.000 < 0.05, so the path coefficient on Price (X2) against Customer Loyalty (Y) is Significant.
3. The value of the path coefficient (*path loading value*) between Services (X1) and Satisfaction (Z) is 0.481, sig 0.000 < 0.05, so the path coefficient on Service (X1) to Satisfaction (Z) is Significant.
4. The value of the path coefficient (*path loading value*) between Price (X2) and Satisfaction (Z) is -0.907, sig is 0.000 < 0.05, so the path coefficient on Price (X2) to Satisfaction (Z) is Significant
5. The magnitude of the coefficient value (*loading*) between Satisfaction (Z) and Loyalty (Y) is 0.342, sig 0.000 < 0.05, so the path coefficient on Customer Satisfaction (Z) to Customer Loyalty (Y) is Significant

### Sobel Analysis (*Sobel Test*)

Sobel analysis was used to determine the *indirect effect* between the variables of work customer satisfaction (X1) and work customer satisfaction (X2) on customer loyalty (Y) through OCB as an intervening variable. Path *analysis* for *indirect effects* can be seen in the following table:

From Table 4. it can be seen that:

#### Path Analysis (*Path Analysis*) the effect of Service on Loyalty through Satisfaction (X1 --> Z --> Y)

The value of the path coefficient (*path loading value*) between Services (X1) and Loyalty (Y) through Satisfaction (Z) of  $0.481 \times 0.342 = 0.164$ , it can be interpreted that the magnitude of the indirect influence between Services (X1) on Loyalty (Y) through

Satisfaction (Z) is 16.4%. The result is  $0.164 < 0.290$ , then the indirect effect between Service (X1) to Customer Loyalty (Y) through Customer Satisfaction (Z) is more effective than the direct effect of Service (X1) to Customer Loyalty (Y)

Line 1, namely Service (X1) --> Customer Satisfaction (Z) --> Customer Loyalty (Y) with a multiplication result of 0.164, then it will be tested to be significant or not significant with the Sobel Test calculation as follows:

$$\begin{aligned}
 Sa_1b &= a_1^2sb^2 + b^2sa_1^2 + sa_1^2sb^2 \\
 &= (0,232 \times 0,011) + (0,117 \times 0,012) + (0,012 \times 0,011) \\
 &= \text{(Complete calculations in attachment 6)}
 \end{aligned}$$

Based on these calculations it is known that the value of  $t_{count} (2.612) > t_{table} (1.6654)$ , which means that customer satisfaction (Z) is an intervening variable, the effect of service (X1) on customer loyalty (Y).

**Path Analysis (*Path Analysis*) the effect of Price on Loyalty through Satisfaction (X2 --> Z --> Y)**

The value of the path coefficient (*path loading value*) between Price (X2) and Loyalty (Y) through Satisfaction (Z) is  $-0.907 \times 0.342 = -0.309$ , which means the amount of indirect influence between Price (X2) on Loyalty (Y) through Satisfaction (Z) is 30.9%. The result is  $0.309 < 0.602$ , then the indirect effect of Price (X2) to Loyalty (Y) through Satisfaction (Z) is more effective than the direct effect of Price (X2) to Loyalty (Y). Jalur 2 yaitu Harga (X2) --> Kepuasan (Z) --> Kinerja (Y) dengan hasil perkalian sebesar 0,309, selanjutnya diuji signifikan atau tidak signifikan dengan perhitungan Sobel Test sebagai berikut :

$$\begin{aligned}
 &= 0.0025 + 0.0014 + 0.0001 \\
 &= 0.0040 \\
 &= 0.0629 \quad \text{(Complete calculations in appendix 6)}
 \end{aligned}$$

To test the significance of the indirect effect, calculate the t value of the ab coefficient with the following formula:

$$\begin{aligned}
 t_1 &= \frac{a_1b}{Sa_1b} \\
 &= \frac{0.1644}{0.0629}
 \end{aligned}$$

$$\begin{aligned}
 Sa_2b &= \sqrt{a_2^2sb^2 + b^2sa_2^2 + sa_2^2sb^2} \\
 &= \sqrt{(0,823 \times 0,011) + (0,117 \times 0,012) + (0,012 \times 0,011)} \\
 &= \sqrt{0,0088 + 0,0014 + 0,0001} \\
 &= \sqrt{0,0103} \\
 &= 0.1017 \quad \text{(Complete calculation in appendix 6)}
 \end{aligned}$$

To test the significance of the indirect effect, calculate the t value of the ab coefficient with the following formula:

$$\begin{aligned}
 t_2 &= \frac{a_2b}{Sa_2b} \\
 &= \frac{-0.3100}{0.1017}
 \end{aligned}$$

= -3.047 (Complete calculations are in appendix 6)

Based on these calculations, it is known that the value of  $t_{count} (-3.047) < -t_{table} (-1.6654)$ , This means that customer satisfaction (Z) is an intervening variable the effect of price (X2) on customer loyalty (Y).

## Discussion

### The Effect of Service (X1) on Customer Loyalty (Y)

Research Results prove that Service has a direct influence on Loyalty at "Palapa Toserba"

### Effect of Price (X2) on Customer Loyalty (Y)

Research results this proves that Price has a direct influence on Loyalty at "Palapa Toserba" Surabaya, this can be seen with the t value  $-5.205$  with a significance level of  $0.000 < 0.05$ .

### The Effect of Service (X1) on Customer Satisfaction (Z)

Research Results this proves that Services have a direct influence on Satisfaction at the "Palapa Toserba" Surabaya, this can be seen with the  $t_{count}$  of  $3.856$  with a significance level of  $0.000 < 0.05$ .

### Effect of Price (X2) on Customer Satisfaction (Z)

Research results this proves that Price has a direct influence on customer satisfaction at "Palapa Toserba" Surabaya, this can be seen with the t value  $-6.813$  with a significance level of  $0.000 < 0.05$ .

### The Effect of Customer Satisfaction (Z) on Customer Loyalty (Y)

Research Results this proves that Satisfaction has a direct influence on Loyalty at "Palapa Toserba" Surabaya, this can be seen with the t-value  $3.788$  with a significance level of  $0.000 < 0.05$ .

### The Effect of Service (X1) on Customer Loyalty (Y) through Customer Satisfaction (Z)

The value of the path coefficient (*path loading value*) between the service variables (X1) on Loyalty variable (Y) through the Satisfaction variable (Z) of  $0.481 \times 0.342 = 0.164$ , it can be interpreted that the magnitude of the indirect influence between Service (X1) on Loyalty (Y) through Satisfaction (Z) is  $16.4\%$ .

The result is  $0.164 < 0.290$ , then the indirect effect between Service (X1) to Loyalty (Y) through Satisfaction (Z) is more effective than the direct effect of Service (X1) to Loyalty (Y)

Based on calculations, it is known that Satisfaction (Z) is an intervening variable. Service (X1) to Loyalty (Y), with a value of  $t_{count} (2.612) > t_{table} (1.6654)$ .

### The Effect of Price (X2) on Customer Loyalty (Y) through Customer Satisfaction (Z)

The value of the path coefficient (*path loading value*) between the variable Price (X2) on Customer Loyalty variable (Y) through the Customer Satisfaction variable (Z) of  $-0.907 \times 0.342 = -0.309$ , it can be interpreted that the amount of indirect influence between price (X2) on Customer Loyalty (Y) through Customer Satisfaction (Z) of  $30.9\%$ .

Based on the calculation, it is known that the results of  $0.309 < 0.602$ , the indirect effect of Price (X2) to Customer Loyalty (Y) through Customer Satisfaction (Z) is more

effective than the direct effect Price (X2) to Customer Loyalty (Y)

it is known that Customer Satisfaction (Z) is an intervening variable the effect of Price (X2) on Customer Loyalty (Y), with a t value of calculations  $(-3.047) < -t_{table} (-1.6654)$ .

## CONCLUSIONS

From the results of research and discussion used in accordance with the purpose of the hypothesis carried out, with *path analysis*, the following conclusions can be drawn:

1. Service has a direct and significant effect on customer loyalty at "Palapa Toserba" Surabaya
2. Price has a direct and significant effect on customer loyalty at "Palapa Toserba" Surabaya
3. Service has a direct and significant effect on customer satisfaction at "Palapa Toserba" Surabaya
4. Price has a direct and significant effect on customer satisfaction at "Palapa Toserba" Surabaya
5. Customer satisfaction has a direct and significant effect on loyalty customers at "Palapa Toserba" Surabaya
6. Service has an indirect effect on customer loyalty through customer satisfaction at "Palapa Toserba" Surabaya
7. Price has an indirect effect on customer loyalty through customer satisfaction at "Palapa Toserba" Surabaya

## Suggestion

Based on the conclusions that have been determined, some suggestions can be given as follows:

1. It is hoped that the employees of "Palapa Toserba" Surabaya to increase their attention to all consumers
2. It is expected that the "Palapa Toserba" Surabaya to pay attention to the level of conformity of the prices of products offered at "Palapa Toserba" Surabaya with the quality of its products
3. It is expected that the employees of "Palapa Toserba" Surabaya to always provide the best service to consumers, so that consumers will be satisfied in shopping
4. It is expected that the "Palapa Toserba" Surabaya to always maintain good relations with consumers, so that consumers will do shopping again in the future
5. It is hoped for further research that takes the object at "Palapa Toserba" Surabaya, in order to consider other variables besides service, price, customer satisfaction and customer loyalty.

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