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# THE STRATEGY FOR IMPROVING THE CUSTOMERS LOYALTY OF KAI AGRO PARAHYANGAN[3]

Purpose: This study aims to find out about the influence of price fairness and service quality toward customers' satisfaction and loyalty, along with its indirect relationship on customers' loyalty. This study focuses on the customers of Indonesian Railways Company/KAI especially the passenger of Argo Parahyangan with Jakarta – Bandung route through *Gambir* Station. Methodology: This study used a descriptive qualitative methodology, applying Square Equation Model (SEM) in analyzing the data. The sample is taken from 254 customers who use *KAI Agro Parahyangan*. Result: The results showed that full mediation on price fairness variable has no significant influence toward the customers' satisfaction. Meanwhile, for the variable of service quality has significant and positive influence on customers' satisfaction. But, both price fairness and service quality are having significant relationship toward customer's loyalty. Conclusion: Therefore, in conclusion, customer's loyalty is influenced by the customer's satisfaction.

**Keyword:** price fairness, service quality, satisfaction, loyalty.

## 1. INTRODUCTION

Residents' mobility has strong relationship with the society's socio-economic level within a region. This leads to discussion related to residents' mobility and transportation used. In its development, nowadays, residents' mobility refers to the utilization of mass transportation. Mass transportation is becoming an option by society as a means of transportation since it is able to give efficiency in time and price. There are many choices of mass transportation in Jakarta that can be used to move from Jakarta to other countries, such as train, plane, bus and travelling service.

Jakarta – Bandung (Jakarta to Bandung) is one of the favorite travel routes, which can be reached through air and land transportation, such as using plane from Halim Perdana Kusuma airport to Husein Sastranegara airport, using private transportation, bus or travelling service through Jakarta to Cikampek highways, and using train.

*KAI Agro Parahyangan* is an executive and a premium economy train that serve trip from Jakarta to Bandung and vice versa. Continuous improvement for service quality becomes something that must be done in order to survive and win the competition among transportations sector. Besides, price determinations also become a sensitive issue. Customers can move to other transportation if they are not satisfied with the price and service (Peng, Wang, 2006). The average volume of *KAI Agro Parahyangan's* passengers in January and February 2020 started to decrease since the reopening of Jakarta – Cikampek highways (Firmansyah, 2019).

Marketing strategy based on customers' loyalty becomes a step for company to enhance the financial performance and maintain its position on the market. Another thing that also become consideration related to competition is the higher cost of acquiring new customer. Alfian (2012) stated that customers nowadays is very critical in choosing product, they will spend more time in choosing the product to be almost certain to get satisfied. Customers' decision in buying a product or using a service makes the producer become selective to apply the marketing strategy in order to keep getting attention and loyalty from the customers.

Loyalty has strong relationship with customers' satisfaction toward the service given by a company. Customers' satisfaction will become the basic development of various customers' behavior model after they purchasing a product or a service. Customers will evaluate the product or service, whether it meets their expectation or not. According to Dwiana, Wardi (2013), the level of satisfaction is a function of the difference between perceived performance and expectation. The quality of service can affect the customers' loyalty, both directly and indirectly, through satisfaction (Caruana, 2002). The measurement of service quality in this study followed the measurement by Parasuraman, Zeithaml, Berry (1988) that use five dimension including tangibility, responsiveness, guarantee, reliability and empathy.

Price greatly determines the customer's satisfaction in using service because the amount of charge set by *KAI Agro Parahyangan* is related to the level of passenger's income. If the price is higher, then customer will think twice in using public transportation. Otherwise, if the price is lower, then customer tends to take advantage of public transportation without any long consideration. The policy on determining price has strong connection with the decision of service offered. The analysis of price tend to direct on how far price can be valued as fair and based on the advantage.

Studies on loyalty, satisfaction, price fairness and service qualities are not a new in research, however the result will be different if applied on case of train transportation. The originality is related to the assessment of customers' satisfaction who used *KAI Agro Parahyangan*. Based on the background above, the passenger of *KAI Argo Parahyangan* is becoming the object of this study in order to know the company's strategic steps in keeping the customers' loyalty by defending and enhancing the customers' satisfaction. Therefore, this study aimed to know the effect of price fairness and service quality in obtaining customers' satisfaction, thus customers can be loyal to *KAI* public transportation.

## 2. METHODOLOGY

This study used descriptive qualitative methodology with *KAI Agro Parahyangan* customers as the research population. The sample is taken using convenience sampling from customers with destination from Jakarta (Gambir Station) to Bandung (Bandung Station)

and vice versa. There are 254 respondents given online survey about the price fairness and service quality of *KAI Agro Parahyangan*. The online survey data are analyzed using Structural Equation Model or SEM using AMOS 22.0 application to examine the conceptual model and the hypothesis.

### Price Fairness

*Price Fairness* is an assessment for an acceptable results and processes by consumers. Price fairness can be inferred from certain types of outcomes and be a consequence of perceived price fairness (Garbarino, Maxwell, 2010). Price fairness was decided based on several levels of price differences such as previous prices, competitor prices, and profits (Curatman, Rahmadi, Ikhsani, 2016). Price fairness is an important variable to affect consumer behavior and responses. The determination of price fairness is affected by various aspects both from the company itself and the company's market share. It will emphasize the price which considered reasonable or the price is low with other benefits (Kotler, Keller, 2016).

### Service Quality

Service quality is the fulfillment of customer needs and desires and the accuracy of its delivery to meet customer expectations. Service quality is an attitude and behavior of people in providing services according to the requirements, desires and expectations of the served customers. Besides, affect the customer satisfaction, service quality have an effect on customer loyalty (Pereira, Giantari, Sukaatmadja, 2016). Service quality is a measure of the difference between consumer expectations and service given by the company. Service quality is influenced by the service that is felt and the service that is expected (Stefano, Casarotto Filho, Barichello, Sohn, 2015).

### Customer's Loyalty

Customer loyalty is a measure of customer's likeliness to repeat their purchase of the service or goods of business. Customer loyalty is important to determine customer satisfaction. If the customer shows his loyalty toward a business, it means that customer satisfied of the obtained product (Abu-Alhaija, Nerina, Hashim, Jaharuddin, 2018). Customer's loyalty is regarded as a long-term asset (Kandampully, Zhang, Jaakkola, 2018). The instruments used to measure customer loyalty are repurchase, referrals, and the first choice for shopping (retention) (Ariesty, 2017).

### Customer's Satisfaction

Customer satisfaction is a key to company success. Satisfaction is the level of a person's feelings after comparing the perceived performance or results within his expectations. It has a strong influence on customer purchases of the product. It is necessary to examine customer satisfaction in order to maintain the company long-term competitiveness. Customer satisfaction is also based on customer knowledge, specifically the knowledge from the customer (Aghamirian, Dorri, Aghamirian, 2015).

**Research Hypothesis**
**H1:** Price fairness has positive relationship with customers' satisfaction;
**H2:** Service quality has positive relationship with customers' satisfaction;
**H3:** Price fairness has positive relationship with customers' loyalty;
**H4:** Service quality has positive relationship with customers' loyalty;

**H5:** Customers' satisfaction has positive relationship with customers' loyalty;
**H6:** Price fairness has positive influence on loyalty through customers' satisfaction;
**H7:** Service quality has positive influence on loyalty through customers' satisfaction.

## 3. RESULTS

Table 1. The influence of price fairness towards loyalty with customer's satisfaction as mediation variable

| Research Title | Variable X1 has influence toward variable Y | Variable X1 has no influence toward variable Y |
|---|---|---|
| Modelling the relationship between hotel perceived value, customer satisfaction, and customer loyalty (El-Adly, 2019). | The results showed that price, transaction, hedonic, and quality influence the customer's satisfaction. The customer's satisfaction is affected by the customer's loyalty. | |
| The impact of value co-creation on satisfaction and loyalty: the moderating effect of price fairness (empirical study of automobile customers in Ghana) (Opata, Xiao, Nusenu, Tetteh, Asante Boadi, 2019). | The findings showed that price fairness not only influences satisfaction and loyalty but also has a significant and positive moderation. Price becomes a key in influencing customers' satisfaction and loyalty. | |
| Role of airline food quality, price reasonableness, image, satisfaction, and attachment in building re-flying intention (Han, Lee, Chua, Lee, Kim, 2019). | The research results verify the effectiveness of the higher-level structure of food and beverage quality on board, which significantly improves the reasonableness of the passenger's perception of price, airline image and satisfaction during the decision-making process of re-flight. | |
| The Effect of Price and Product Quality Towards Customer Satisfaction and Customer Loyalty on Madura Batik (Wantara, Tambrin, 2019) | The findings indicated that price has significant influence to customers' satisfaction and loyalty. The customers are satisfied with Madura batik since it has good product quality and price. The loyalty is showed from the action of re-buying the Madura batik which done by some customers. | |
| The Impact of Price Fairness and Service Quality on Customer Satisfaction and Loyalty of Lion Air Airlines Due to Paid Baggage Policy on Domestic Flights at Soekarno Hatta Airport (Fadhilla, Zimbalis, Setyawati, Anthony, 2019). | | The results of this research indicated that the Price Fairness Variable does not affect Customer Loyalty of Lion Air Airlines. |

Source: Own study.

Table 2. The influence of service quality towards loyalty with customer's satisfaction as mediation variable

| Research Title | Variable X1 has influence toward variable Y | Variable X1 has no influence toward variable Y |
|---|---|---|
| The impact of service quality, customer engagement and selected marketing constructs on airline passenger loyalty (Hapsari, Clemes, Dean, 2017). | The result found that service quality had positive relationship with customer's satisfactory. Service quality can also enhance customers' perceptions of brand image and boost their loyalty. | |
| Mediators of the relationship between service quality and customer loyalty (Makanyeza, Chikazhe, 2017). | The study found that service quality, satisfaction and corporate image all have a positive and direct impact on loyalty. It is also found that both satisfaction and corporate image can adjust the impact of service quality on loyalty. | |
| The impact of Umrah service quality on customer satisfaction towards Umrah travel agents in Malaysia (Othman, Harun, Rashid, Ali, 2019). | There were positive and significant relationship between the retail service quality dimensions and customer satisfaction. | |
| An examination of the effects of service quality and customer satisfaction on customer loyalty in the hotel industry (Priyo, Mohamad, Adetunji, 2019). | This study indicates that, customer loyalty cannot be maintained through the satisfaction of customers alone. Hence, maintaining the quality of services and ensuring reliable, tangible, responsive and dependable services at all time can increase customers' attitudinal loyalty. | |
| The Impact of Price Fairness and Service Quality on Customer Satisfaction and Loyalty of Lion Air Airlines Due to Paid Baggage Policy on Domestic Flights at Soekarno Hatta Airport (Fadhilla, Zimbalis, Setyawati, Anthony, 2019). | The results of this research indicated that service quality affect customer loyalty of Lion Air Airlines. | |

Source: Own study.

## 4. DISCUSSION

This study combines some previous studies' findings with variable of price fairness (X1) and service quality (X2) to analyze its influence towards variable of customer's loyalty (Y) with price satisfaction variable as mediation. The result and discussion is explained as below.

*The influence of price fairness towards loyalty with customer's satisfaction as mediation variable*

A study from El-Adly (2019) who analyzed on the behavior of hotel customers in United Arab Emirates found that price had positive relationship with customer's satisfaction. Based on the result of this study, it contributes to the literature of marketing service in general. This research enhances people understanding regarding customer perceived value in the context of hotel services. It offers a better understanding regarding the relationships between customer perceived value dimensions, satisfaction, and loyalty in the hotel context. This research model finding indicates that: (a) four out of seven perceived value dimensions (price, transaction, hedonic, quality) positively affected customer satisfaction, while the aesthetic, prestige, and hedonic dimensions were found to have an insignificant direct effect on customer loyalty; (b) that customer satisfaction directly affects customer loyalty; (c) that four hotel perceived value dimensions (hedonic, price, quality, transaction) also significantly affected loyalty through customer satisfaction, because of mediating role of customer satisfaction in perceived value-loyalty relationship.

This study considered seven dimensions of hotel perceived value, five of them were found to have significant effects on customer satisfaction and/or customer loyalty. Two value dimensions were found to have insignificant effects on both customer satisfaction and customer loyalty. Thus, other value dimensions could be added to the hotel perceived value, such as social interaction, health and wellness. Similar result also found in Opata, Xiao, Nusenu, Tetteh, Asante Boadi (2019) and Han, Lee, Chua, Lee, Kim (2019) study that customer's satisfaction is affected by the price fairness. Moreover, Wantara and Tambrin (2019) done research to batik customer and indicated that price fairness and satisfaction influence the customer's loyalty.

The results of this study indicates that price has significant effect on customer satisfaction and loyalty. This result illustrates that the price of Madura batik has met the consumers' expectation. It can be used as a strategy to increase the customer loyalty of Batik Tanjungbumi, Bangkalan customers. Product quality has significant positive influence on customer satisfaction, but it does not have a significant effect on customer loyalty. Customer satisfaction has a significant and positive impact on customer loyalty. This shows that someone will re-buy if their satisfaction toward the product is fully fulfilled. Last but not least, Fadhilla, Zimbalis, Setyawati, Anthony (2019) claimed that price fairness did not affect the loyalty of the customers. They found that service quality is more affecting the customers' loyalty.

*The influence of service quality towards loyalty with customer's satisfaction as mediation variable*

According to Karen (1995), in marketing, service quality can affect the customers' satisfaction. It is strengthen with some findings, such as Hapsari, Clemes, Dean (2017) in their study about the plane customer's satisfaction, they found that service quality had positive relationship with customer's satisfactory. Service quality can also enhance customers' perceptions of brand image and boost their loyalty. Once customers experience superior service quality, their perception of that brand increases and they normally consider in re-purchasing the service and recommending it to others. Another literary study regarding service quality influence customer loyalty have been implemented by Makanyeza and Chikazhe (2017) and Othman, Harun, Rashid, Ali (2019) also supported that service quality influence customer's satisfaction. Findings of the study found that service quality,

satisfaction and corporate image all have positive direct effects on loyalty. It was also found that satisfaction and corporate image all mediate the effect of service quality on loyalty. Furthermore, to know the effect of service quality indirectly on customer's satisfaction, Priyo, Mohamad, Adetunji (2019) done a study on hotel customers and showed that the service quality had positive influence with loyalty through customer's satisfaction. The results of this study have provided customer satisfaction and loyalty in the context of hotel services industry. The result presented in this study evinced that, customer satisfaction is proved to have a positive and significant influence on customer loyalty. Fadhilla, Zimbalis, Setyawati, Anthony (2019) also found that service quality affect the customers' satisfaction which may lead to the loyalty. This study, therefore, contributes to fill the knowledge gap on customer satisfaction and loyalty. Also, the study reveals significance of customer satisfaction on customer loyalty to hotel services.

### *Enhancing KAI Argo Parahyangan Customers' Loyalty*

*KAI Argo Parahyangan* is a new series of train that made for students and/or employees who are moving or travelling from Jakarta to Bandung and vice versa which focused on the comfort and safety of the transport. Unlike the previous *KAI Parahyangan*, *KAI Argo Parahyangan* has a new image with silver color, made of the stainless steel. The facilities also completed with comfortable seats and flexible footrests, two toilets, 4 wide televisions evacuation path marks and earphone facilities (REP-PUN, 2018). It also claimed that the ticket price is affordable and the service quality is good. As Hidayah, Yolinda, Nugraha (2019) stated in their study that there is significant relationship between service quality and passenger interest in using *KAI Argo Parahyangan*. Hidayah et al. also said that comparing to the previous years, the comfort in the wagon is increased.

However, Henggartiasto and Wibowo (2012) in their study, found out that the service quality of *KAI Argo Parahyangan* is not fulfilling the customers' expectation which lead to dissatisfaction. It is seen through the service given by KAI employees when customer purchasing the ticket. The ticker reservation through call center is hard to reach, while the on the spot ticket is having a quite long queues due to the lack of the employees. Hidayah, Yolinda, Nugraha (2019) also indicated that the service at the ticket sales point needed to give attention due to the comfort in queuing system. The waiting room also needed to be noticed because there are some passengers who have to wait outside the station, when the queuing is full. Nevertheless, the ticket price offered is very competitive and still affordable for students and/or employees.

Since the customer's satisfaction is affected by the price fairness and service quality, thus it is needed to build a strategy for enhancing the *KAI Argo Parahyangan*'s loyalty, such as in toilet hygiene, exterior and interior design, and employees' service. Toilet hygiene is needed to be clean regularly because it is one of the important places for passengers. Beside the toilet, the wagon also needed to complete with room fragrance which will help to neutralize the smell. Moreover, the television within the train should showed some shows besides the *KAI* advertisement, thus passengers will feel comfortable during the trip. For the employee's service, *KAI* should do a training to improve the skills, motivation and work performance. Therefore, if an affordable price and a good service quality can satisfy the customers, then the loyalty will be built.

## 5. CONCLUSIONS

Based on the result above, it can be concluded that:
1) There is positive influence between price fairness on customer's loyalty. The positive relationship from research variables showed that the higher the level of price fairness, the higher customer's satisfaction. Therefore, customer's loyalty can be enhanced by keeping the price fairness and customer's satisfaction.
2) As mediation variable, customer satisfaction has been proved that there is positive influence between service quality towards customer's loyalty which showed that the higher the service quality the higher the customer's satisfaction is. Thus, customer's loyalty can be increased by maintaining the service quality and customer's satisfaction. By increasing customer satisfaction level and service quality, customer will stay loyal to a business company.

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