Peer Reviewed - International Journal

Vol-8, Issue-3, 2024 (IJEBAR)

E-ISSN: 2614-1280 P-ISSN 2622-4771

https://jurnal.stie-aas.ac.id/index.php/IJEBAR

FROM SERVICE EXCELLENCE TO CUSTOMER LOYALTY: INVESTIGATING THE MEDIATING ROLE OF SATISFACTION AT PT DANDANOMA MAHA AGUNG

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Abstract:

This research examines how service quality impacts customer satisfaction and repurchase intention at PT Dandanoma Maha Agung. It utilizes path analysis to test its hypotheses. The findings indicate a positive and significant relationship between service quality and customer satisfaction. Effective service quality can fulfill customer expectations, create positive experiences, and reduce the likelihood of dissatisfaction, thereby enhancing customer satisfaction. Furthermore, service quality also positively influences repurchase intention, suggesting that higher service quality leads to increased customer intention to repurchase products or services. Moreover, the study reveals that customer satisfaction positively affects repurchase intention, indicating that customer satisfaction serves as a mediator between service quality and repurchase intention. These results suggest the importance for PT Dandanoma Maha Agung to consistently improve its service quality to bolster customer satisfaction and repurchase intention, consequently achieving a competitive edge and greater customer loyalty.

Keywords: service quality, customer satisfaction, purchase intention, Dandanoma

Submitted: 2024-06-20; Revised: 2024-07-23; Accepted: 2024-08-05

1. Introduction

In the modern business landscape, particularly in the service sector, effective marketing management plays a pivotal role in shaping a company's reputation, ensuring service excellence, and understanding and fulfilling consumer needs. Service quality holds particular significance as it heavily influences consumer perceptions of a company. As highlighted by (Kotler & Keller, 2016), the impact of service quality on consumer satisfaction is paramount, as consumer satisfaction serves as a key indicator of a company's ability to retain customers.

Service quality stands as a critical determinant of success for service-oriented firms. (Tjiptono, 2017) defines service quality as the anticipated level of excellence and the degree of control over that excellence to meet customer expectations. Another perspective by Parasuraman et al. (1988) cited in (Omar et al., 2016) describes service quality as the disparity between customer expectations and their perceptions of service performance. Meanwhile, Garvin (1987) as cited in (Alnaser, 2020) asserts that service quality represents a level of excellence that surpasses customer expectations. Delivering high-quality service results in positive consumer experiences, leading to satisfaction and a propensity to repurchase products or services from the company. Customer satisfaction, according to Tjiptono (2017), is the

Peer Reviewed – International Journal

Vol-8, Issue-3, 2024 (IJEBAR)

E-ISSN: 2614-1280 P-ISSN 2622-4771

https://jurnal.stie-aas.ac.id/index.php/IJEBAR

feeling of contentment or disappointment that arises from comparing perceptions of product performance with expectations. Kotler and Keller (2016) further suggest that customer satisfaction reflects the evaluation of product performance in meeting needs and expectations. Parasuraman et al. (1988) in Omar et al. (2016) posit that customer satisfaction occurs when consumer expectations are either met or exceeded. Elevated customer satisfaction can stimulate repurchase intention, denoting a consumer's inclination to repurchase products or services from the company. Repurchase intention, as described by Kim et al. (2006) in Suhaily & Soelasih (2017), signifies the likelihood of consumers to repurchase products or services from the same company in the future. Fornell and Wernerfelt as cited in Kumar & Kaur (2021), along with Oliver (1980) as cited in (Watanabe et al., 2019), depict repurchase intention as a metric of consumer satisfaction that reflects their willingness to revisit a company for future purchases. Repurchase intention serves as an indicator of a company's ability to maintain and expand its market share, underscoring the importance for companies to prioritize service quality, customer satisfaction, and repurchase intention in their strategic goals.

PT Dandanoma Maha Agung is a service company that focuses on home repair and construction services. In the context of PT Dandanoma Maha Agung, service quality, customer satisfaction and repurchase intention are very relevant. With a service strategy that focuses on high service quality, PT Dandanoma Maha Agung hopes to create a positive experience for consumers which in turn increases consumer satisfaction. Success in achieving a high level of satisfaction is expected to be a catalyst for increasing consumer repurchase intention.

Previous research shows a positive and significant influence of service quality on repurchase intention. Studies of e-accounting services in Vietnam, MSME products, and cafes in Nepal all support this relationship. In addition, research on e-commerce users in Indonesia and Netflix in Bandung shows that the quality of e-services significantly influences repurchase intentions (Ginting et al., 2023; Kusumo & Vidyanata, 2022; Purnamasari & Suryandari, 2023). Based on this research, it can be concluded that service quality is an important factor that influences consumer satisfaction and repurchase intention. This research aims to examine the effect of service quality on consumer satisfaction and repurchase intention at PT Dandanoma Maha Agung, with the aim of providing valuable information for the company to improve its service quality.

2. Literature Review Service Quality

Understanding and assessing service quality is a central issue in management literature, underlying a deep understanding of the interactions between service providers and consumers. According to Parasuraman et al. (1988), service quality is measured through the difference between customers' expectations of service and their perceptions of the service received. Zeithaml, Parasuraman, and Berry (1990) stated that service quality includes the expected level of excellence and control over this excellence to meet customer desires. Tjiptono (2017) conceptualizes service quality as the level of excellence felt by customers in comparing their expectations with the reality they receive. Kotler and Keller (2016) and Lovelock and Wirtz (2016) also define service quality as the level of excellence perceived by customers, measured through a comparison between expectations and the reality of service. Service quality involves customers' perceptions of the service received and how it meets or exceeds their expectations, with expected excellence being the primary benchmark in evaluating service quality. Parasuraman et al. (1988) identified five main dimensions of service quality: tangibles (physical aspects of service), reliability (consistency in providing services), responsiveness

Peer Reviewed – International Journal

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E-ISSN: 2614-1280 P-ISSN 2622-4771

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(response to customer needs), assurance (guarantee of customer satisfaction), and empathy (attention to customer needs and feelings).

Customer satisfaction

Customer satisfaction theory plays a crucial role in management, focusing on customers' evaluations and perceptions of the products or services received. Kotler and Keller (2016) define customer satisfaction as an evaluation of a customer's experience of a particular product or service, highlighting the importance of subjective assessment. Zeithaml (1988) describes customer satisfaction as the level of pleasure or disappointment that arises after customers compare the performance of a product or service with their expectations, indicating that the comparison between actual performance and expectations is key in determining satisfaction. Oliver (1981) added that customer satisfaction is a consumer's response to evaluating the performance of a product or service, emphasizing that satisfaction is formed from an individual's assessment of the extent to which the product or service meets or exceeds their expectations. This understanding shows that customer satisfaction is the result of a subjective evaluation of the performance of the product or service received, with an emphasis on the comparison between actual performance and expectations. Oliver (1980) in Watanabe et al. (2019) stated that customer satisfaction can be measured through three main dimensions: perceived performance, perceived quality, and perceived value. Performance perceptions include indicators of accuracy, consistency and efficiency of product or service performance. Perceived quality involves the reliability, features, and design of a product or service. Perceived value measures the benefits received compared to the costs incurred, including indicators of benefits, costs and cost effectiveness. Understanding these different views can help organizations design strategies to increase customer satisfaction, which in turn can increase customer loyalty and the company's long-term success.

Repurchase Intention

According to Oliver (1980) in Watanabe et al. (2019), repurchase intention is defined as an attitude statement that reflects the extent to which consumers are willing to repurchase products or services from a company in the future, which is a manifestation of satisfaction or previous experience. This approach is reinforced by Parasuraman et al. (1988), which states that repurchase intention is influenced by factors such as price, quality, and ease of use, reflecting consumers' holistic evaluation of products or services. Fornell and Wernerfelt (2007) added that the level of satisfaction is an important factor in influencing repurchase intention. Thus, repurchase intention can be interpreted as a statement of intention that shows the possibility of a consumer repurchasing a product or service from the same company in the future, influenced by satisfaction, price, quality and ease of use. Service quality, which includes physical aspects, consistency, response to needs, assurance, and attention, greatly influences repurchase intention (Parasuraman et al., 1988). In addition, the level of customer satisfaction, company reputation, and customer engagement are also strong predictors of repurchase intention. The focus of this research is on repurchase intention by considering service quality and customer satisfaction, aiming to provide in-depth insight into consumer repurchase behavior. High service quality can increase customer satisfaction, and high customer satisfaction can indicate that service quality has met or exceeded expectations. The combination of these two dimensions is expected to provide a comprehensive picture of the factors that influence repurchase intention in service companies.

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Relationship between research variables

This research is based on the interaction between three main variables: service quality, consumer satisfaction, and repurchase intention. First, service quality is seen as a crucial factor that influences customers' perceptions regarding the extent to which an organization can meet or exceed their expectations in providing services. This concept is closely related to the Expectancy-Disconfirmation Theory (ECT), where dissatisfaction between expectations and perceived performance forms the basis of customer satisfaction. Second, consumer satisfaction is identified as the result of a comparison between customers' initial expectations and actual experiences during service interactions. The Theory of Planned Behavior (TPB) also highlights the importance of satisfaction as a predictor of repurchase intentions. This satisfaction acts as a mediating variable that connects service quality with repurchase intention. Finally, repurchase intention reflects consumers' desire to return to transactions with the organization after feeling satisfaction from previous experiences. This repurchase intention is influenced by the level of satisfaction and quality of service experienced by customers. Therefore, this study aims to examine the direct influence of service quality on consumer satisfaction, as well as the impact of consumer satisfaction on repurchase intention, and also evaluate the mediating role of consumer satisfaction in the relationship between service quality and repurchase intention.

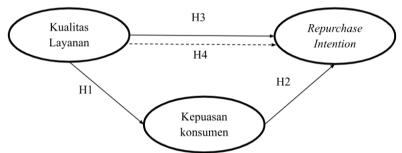


Figure 1. Research conceptual framework

Several hypotheses are proposed to investigate the relationships among the variables involved in this study. The first hypothesis posits that service quality positively affects consumer satisfaction, with service quality assessed through dimensions like tangibles, reliability, responsiveness, assurance, and empathy. This hypothesis is supported by research from Pranoto et al. (2023) and Sudarto (2022), which indicate that high service quality significantly boosts customer satisfaction. The implication here is that enhancing service quality will positively impact consumer satisfaction, offering strategic insights for organizations aiming to improve their service delivery. The second hypothesis suggests that service quality also positively influences repurchase intentions. This is corroborated by the findings of Jasin and Firmansvah (2023) and Sudarto (2022), which demonstrate that dimensions of service quality, such as reliability and responsiveness, can increase the likelihood of repurchase intentions. The third hypothesis assumes that consumer satisfaction positively impacts repurchase intention, drawing support from studies by Goeltom et al. (2020) and Sudarto (2022), which emphasize that satisfied customers are more inclined to engage in repeat transactions. Finally, the fourth hypothesis asserts that consumer satisfaction mediates the relationship between service quality and repurchase intentions. This mediation role is substantiated by Goeltom et al. (2020), Pranoto et al. (2023), and Jasin and Firmansyah (2023), who show that consumer satisfaction serves as a bridge between service quality and the desire for repeat purchases. Therefore, the proposed hypotheses are as follows:

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E-ISSN: 2614-1280 P-ISSN 2622-4771

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- H1: Service quality has a positive effect on consumer satisfaction.
- H2: Service quality has a positive effect on repurchase intention.
- H3: Consumer satisfaction has a positive effect on repurchase intention.
- H4: Consumer satisfaction mediates the effect of service quality on repurchase intention.

3. Research Methods

This study employs a quantitative approach with an associative method to explore the relationships among service quality, customer satisfaction, and repurchase intention. Structural Equation Modeling-Partial Least Squares (SEM-PLS) was selected for analysis due to its robustness in managing complex and non-normally distributed data. The sampling technique adopted is simple random sampling, which ensures each member of the population has an equal chance of being chosen, as per Sugiyono (2017). This method was implemented using a random number table or a random number generator application to guarantee sample representativeness. The population targeted in this study includes all customers of PT Dandanoma Maha Agung who have utilized the company's services within the past year, totaling 315 customers. Employing the Slovin Formula with a 10% margin of error, the required sample size is determined to be 76 participants. Data collection was conducted via an online questionnaire using Google Forms, which was distributed to the customers. The questionnaire comprised closed-ended questions regarding respondent demographics, customer satisfaction, service quality, and repurchase intention, using a Likert scale for responses. Primary data was gathered from the customer questionnaires, while secondary data was sourced from PT Dandanoma Maha Agung Surabaya's documentation, including company profiles and customer lists. This methodological approach aims to provide an accurate and representative analysis of the relationships among service quality, customer satisfaction, and repurchase intention within the company.

In this research, repurchase intention is the dependent variable, service quality is the independent variable, and customer satisfaction acts as the intervening variable. Repurchase intention is defined as the likelihood that consumers will repurchase products or services from the same company in the future, reflecting consumer satisfaction through their willingness to recommend and repurchase (Zeithaml, Parasuraman, and Berry, 1988). Service quality, as the independent variable, is evaluated through five dimensions: reliability, responsiveness, assurance, empathy, and tangibility, which together represent a company's capacity to meet or exceed customer expectations (Zeithaml, Parasuraman, and Berry, 1988). Customer satisfaction, serving as the intervening variable, is characterized by the feelings of pleasure or disappointment that arise from comparing a product or service's performance with expectations, and is measured via perceived performance, perceived quality, and perceived value dimensions (Oliver, 1980). The study's objective is to examine the interactions between service quality, customer satisfaction, and repurchase intention, and to assess the mediating role of customer satisfaction in the link between service quality and repurchase intention.

The data analysis process is bifurcated into two primary stages: descriptive analysis and SEM-PLS. Descriptive analysis offers a comprehensive overview of respondent characteristics and general research findings, whereas SEM-PLS is employed to evaluate the relationships between latent and manifest variables and to validate the research's conceptual model. The SEM-PLS stages encompass the assessment of the measurement model (outer model) to confirm the instrument's validity and reliability, and the analysis of the structural model (inner model) to evaluate the inter-variable relationships based on the coefficient of determination (R²), predictive relevance (Q²), and goodness of fit index (GoF). By utilizing SEM-PLS, this

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study aims to thoroughly investigate the impact of service quality on repurchase intention. The research variables include service quality dimensions such as reliability, responsiveness, assurance, empathy, and tangibility, along with customer satisfaction and repurchase intention. The research instrument's validity and reliability were confirmed through trials with 25 respondents. The findings from this analysis are anticipated to provide a detailed understanding of how service quality influences customer satisfaction and their likelihood to return to PT Dandanoma Maha Agung's services.

4. Results and Discussion

4.1. Results

Respondent Characteristics

PT Dandanoma Maha Agung is a company committed to providing innovative, high quality and trusted residential solutions for the Indonesian people. With a vision to become a leading brand in residential construction, repair and restoration services, this company focuses on providing quality services with the best materials and technology. The company's mission includes sustainable, environmentally friendly solutions and fast, precise and reliable service to meet customer satisfaction. PT Dandanoma Maha Agung offers a variety of services including Dandan Express for quick repairs, as well as home building and renovation services, architectural design and home interiors.

This research involved 76 respondents with various characteristics. The majority of respondents were men (53%), with the largest age range being 30-40 years (45%). In terms of employment, the majority work in the private sector (44%), and based on length of subscription, most have subscribed for 1-2 years (47%). The service most frequently used is Dandan Express (41%), followed by design (27%), interior (18%), and home building and renovation (14%). This data provides a demographic picture of PT Dandanoma Maha Agung's customers which is important for further analysis regarding the influence of service quality on consumer satisfaction and repurchase intentions.

Description of Research Variables

This research measures three main variables: service quality, customer satisfaction, and repurchase intention. Service quality variables include indicators of reliability, responsibility, assurance, empathy and tangibility. The results show that reliability has the highest average (3,829), followed by Assurance (3,813), Responsibility (3,741), Emphaty (3,758), and Tangible (3,674). The customer satisfaction variable is measured through overall suitability, performance, value, emotional suitability, and social suitability, with the "value" indicator having the highest average (3.993) and overall suitability the lowest (3.625). The repurchase intention variable includes recommend, experience, reuse, and not turn away, with the recommend indicator having the highest average (3.724) and reuse the lowest (3.434).

Structural Equation Modeling – Partial Least Square

The next stage in this research is to carry out Structural Equation Modeling Partial Least Squares (SEM-PLS) analysis to test the hypothesis that has been formulated. SEM-PLS is a multivariate analysis technique used to analyze complex relationships between latent variables that cannot be measured directly but are represented by indicators that can be measured.

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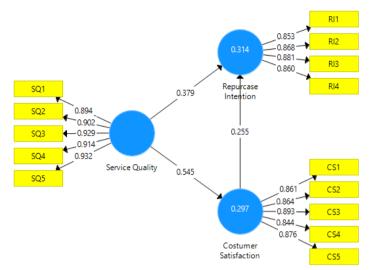


Figure 2. Results of the structural model of research results

The hypothesis testing stage in this research using SEM-PLS begins with outer model analysis to evaluate the validity and reliability of the indicators. Convergent Validity is checked through loading factor and Average Variance Extracted (AVE) values, with the results showing that all indicators have loading factor values above 0.70 and AVE above 0.50, indicating good convergent validity. Indicators of the variables service quality, customer satisfaction, and repurchase intention show high loading factor values and AVE of 0.753, 0.836, and 0.749 respectively, ensuring that more than 74% of the variance of the indicators can be explained by the latent constructs they measure.

Table 1. Results of convergent validity

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Variable	Indicator	Loading	AVE	Notes		
Service Quality	SQ1	0.894		Valid		
	SQ2	0.902		Valid		
	SQ3	0.929	0.753	Valid		
	SQ4	0.914		Valid		
	SQ5	0.932		Valid		
Customer satisfaction	CS1	0.861		Valid		
	CS2	0.864		Valid		
	CS3	0.893	0.836	Valid		
	CS4	0.844		Valid		
	CS5	0.876		Valid		
Repurchase Intention	RI1	0.853		Valid		
	RI2	0.868	0.740	Valid		
	RI3	0.881	0.749	Valid		
	RI4	0.860		Valid		

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E-ISSN: 2614-1280 P-ISSN 2622-4771

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Table 2. Results of the Fornell-Larcker Criterion evaluation

	Customer satisfaction	Service Quality	Repurchase Intention
Customer satisfaction	0.868		
Service Quality	0.545	0.914	
Repurchase Intention	0.462	0.518	0.865

Next, Discriminant Validity was evaluated using the Fornell-Larcker Criterion and cross loading. The results show that the main diagonal value in the correlation table between constructs is higher than the correlation value between the construct and other constructs, ensuring that each construct is measured with the right indicators. Examination of cross loadings also shows that each indicator has significant factor loadings on the constructs they are supposed to measure, strengthening the discriminant validity in this model.

Table 3. Results of composite reliability

Variable	Cronbach's Alpha	rho_A	Composite Reliability	Information
Customer Satisfaction	0.919	0.934	0.938	Reliable
Service Quality	0.951	0.955	0.962	Reliable
Repurchase Intention	0.889	0.905	0.923	Reliable

Composite Reliability assesses the internal consistency of indicators with very good results, indicating that all variables in this study have a high level of reliability. The Cronbach's Alpha, rho_A, and Composite Reliability values for the variables customer satisfaction, service quality, and repurchase intention are above 0.889, ensuring that these indicators have high consistency in measuring relevant latent constructs.

Table 4. Inner Model Evaluation

Variable	R Square
Customer satisfaction	0.297
Repurchase Intention	0.314
Q Square	0.518
GoF	0.488

Inner model evaluation is carried out to measure the extent to which the model can explain variations in endogenous variables. The R Square results for the customer satisfaction and repurchase intention variables are 0.297 and 0.314 respectively, indicating that the model can explain around 30% of the variability in these variables. The Q Square value of 0.518 and Goodness of Fit (GoF) of 0.488 indicates that the model developed has good predictive ability and fits the observed data.

Table 5. Results of Direct Effect Hypothesis Testing

Path	Coef.	St. Dev	T Stat	P Values	Information
$CS \rightarrow RI$	0.255	0.095	2,671	0.008	Significant
$SQ \rightarrow CS$	0.545	0.093	5,873	0,000	Significant
$SQ \rightarrow RI$	0.379	0.092	4,098	0,000	Significant

Notes: CS: Customer Satisfaction; SQ: Service Quality

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Testing the direct effect hypothesis shows that service quality has a positive and significant influence on customer satisfaction (path coefficient 0.545, p < 0.05) and repurchase intention (path coefficient 0.379, p < 0.05). Apart from that, customer satisfaction also has a positive and significant influence on repurchase intention (path coefficient 0.255, p < 0.05). These results indicate that improving service quality by PT Dandanoma Maha Agung can increase customer satisfaction and encourage their intention to repurchase.

Table 6. Indirect Effect Hypothesis Testing

Path	Coef.	St. Dev	T Stat	P-values	Information
$SQ \rightarrow CS \rightarrow RI$	0.139	0.058	2,377	0.018	Significant

Notes: CS: Customer Satisfaction; SQ: Service Quality; RI: Repurchase intention

Testing the indirect effect hypothesis shows that service quality also has a significant indirect effect on repurchase intention through customer satisfaction (path coefficient 0.139, p < 0.05). This shows that besides the direct influence, service quality increases repurchase intention by increasing customer satisfaction first. Overall, the results of this analysis underline the importance of improving service quality to increase customer satisfaction and encourage customer loyalty through repurchase intention at PT Dandanoma Maha Agung.

4.2.Discussion

The Influence of Service Quality on Customer Satisfaction

The hypothesis testing results reveal a significant and positive relationship between Service Quality (SQ) and Customer Satisfaction (CS), supported by a positive path coefficient and a p-value below 0.05. This finding aligns with prior research, which indicates that service quality significantly impacts customer satisfaction (Harianto, 2023; Meyana & Berlianto, 2017; Riseetyawan et al., 2022; Syafitri & Nainggolan, 2023). The primary reasons for the significant influence of service quality on customer satisfaction include meeting customer expectations, providing positive experiences, and minimizing the risk of disappointment. Descriptive analysis indicates that PT Dandanoma Maha Agung delivers satisfactory service, with the Reliability indicator scoring the highest, while Tangible received the lowest score. This suggests a need for improvement in the physical aspects of facilities and personnel. These findings collectively underscore the importance of service quality in enhancing customer satisfaction and provide empirical evidence for companies to devise strategies for improving service quality.

The Influence of Service Quality on Repurchase Intention

This study also demonstrates a significant and positive relationship between Service Quality (SQ) and Repurchase Intention (RI). The better the service quality offered by PT Dandanoma Maha Agung, the higher the customers' inclination to make repeat purchases. This outcome is consistent with previous research asserting that service quality is a crucial factor influencing consumers' repurchase intentions (Harmawati & Dewanti, 2023; Mahato & Goet, 2020; Wahyuningtiyas & Ramadhan, 2023). Descriptive analysis reveals that the indicators of Reliability and Assurance received high ratings from respondents, whereas Tangible had the lowest average score. This suggests the need for improvements in the physical aspects of facilities and personnel. Overall, while the company has succeeded in meeting customer expectations, there remains a necessity to enhance service quality, particularly in the Tangible dimension, to provide a more satisfying customer experience and boost repurchase intentions.

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E-ISSN: 2614-1280 P-ISSN 2622-4771

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The Influence of Customer Satisfaction on Repurchase Intention

The research further identifies a significant and positive relationship between Customer Satisfaction (CS) and Repurchase Intention (RI). Higher levels of customer satisfaction with PT Dandanoma Maha Agung's products or services correlate with an increased intention among customers to make repeat purchases. This finding concurs with previous studies that highlight customer satisfaction as a key factor influencing repurchase intentions (Ginting et al., 2023; Pollack, 2015; Qiang, 2023). Descriptive analysis shows that indicators related to value and emotional fit received high ratings from respondents, while overall fit had the lowest average. These results suggest that although the company has effectively met customer expectations, there is still room for improvement, especially in terms of overall fit, to further enhance customer satisfaction and repurchase intentions. Therefore, companies must continuously strive to understand and fulfill customer needs comprehensively to ensure sustained customer loyalty and business growth.

The Role of Customer Satisfaction in Mediating the Effect of Service Quality on Repurchase Intention

This study's findings reveal a significant and positive indirect relationship between Service Quality (SQ) and Repurchase Intention (RI) via Customer Satisfaction (CS). High Service Quality enhances Customer Satisfaction, which subsequently boosts Repurchase Intention. These results align with prior studies that identify Service Quality and Customer Satisfaction as critical determinants of Repurchase Intention (Joshi, 2023; Tran & Le, 2020). Descriptive analysis highlights that indicators such as reliability, responsibility, assurance, and empathy received high evaluations, while tangibility scored the lowest. Respondents have a favorable perception of the service quality at PT Dandanoma Maha Agung and exhibit a high level of satisfaction, leading to increased repurchase intentions. This supports the Expectation-Confirmation theory and the Satisfaction-Loyalty Model, suggesting that continuous improvement in service quality is essential for enhancing customer satisfaction and fostering repurchase intention.

5. Conclusion

This study aims to evaluate the impact of service quality on customer satisfaction and its subsequent effects on the repurchase intentions of PT Dandanoma Maha Agung's customers. The results demonstrate a positive and significant correlation between service quality and customer satisfaction, as well as between service quality and repurchase intention. Furthermore, the study finds a significant positive relationship between customer satisfaction and repurchase intention. These outcomes also indicate that customer satisfaction mediates the link between service quality and repurchase intention, highlighting that service quality influences repurchase intention both directly and indirectly through customer satisfaction.

The implications of this research emphasize the importance of PT Dandanoma Maha Agung to increase management commitment in improving service quality, strengthening employee training and development, and focusing on improving key service dimensions such as reliability, responsibility, assurance and empathy. Companies are also advised to monitor and measure customer satisfaction regularly. For future research, it is recommended that similar studies be carried out in various industries and business sectors, as well as considering various customer segments and more complex research methods. Other factors that influence repurchase intentions, such as price, promotions, and individual customer characteristics, also

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need to be considered. These findings show that with the right strategy, PT Dandanoma Maha Agung can increase customer loyalty and company profitability.

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Peer Reviewed – International Journal

Vol-8, Issue-3, 2024 (IJEBAR)

E-ISSN: 2614-1280 P-ISSN 2622-4771

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