Enhancing Customer Satisfaction through Evaluating Service Guarantees, Product Quality, and Price Perception

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Abstract : *This research aims to understand the impact of service assurance, product quality and price perception on customer satisfaction. This study was conducted on respondents of customers who have purchased furniture in CV Sinar Jaya Design with the number of samples as many as 97 respondents. Sampling is done using non-probability sampling techniques. The data has been successfully collected, processed using software SmartPLS version 4 with PLS-SEM technique. The results of data processing explain that the price of the product and the respective price perception have a positive and significant impact on customer satisfaction. Then, service guarantee factors have a positive but not significant impact on customer satisfaction.*

Keywords - *guarantee, product, price, and customer satisfaction*

I.   INTRODUCTION

Small and medium-sized enterprises (SMEs) constitute one of the most vital components of the Indonesian economy. They play a significant role by generating employment opportunities and producing valuable goods for society. The furniture industry is one such sector within the SME domain. In order to thrive in the competitive landscape of the furniture industry, entrepreneurs must prioritize customer satisfaction.

This research focuses on a family-owned business operating in the furniture sector, namely CV Sinar Jaya Design. The business owner has recognized that contemporary consumers no longer make purchases solely based on the product's physical attributes; rather, they consider all aspects of the service associated with the product, spanning from the initial purchase to the post-purchase stage. This shift is attributed to the fact that customer satisfaction stands as a critically important factor influencing the company's existence, resilience, and growth.

Customer satisfaction refers to the overall perception held by consumers regarding a purchased product or service. It is influenced by two main variables: expectation and perceived performance. When perceived performance exceeds expectations, then customers get satisfaction that will ultimately create customer loyalty (Fandy & Tjiptono, 2006). Customer satisfaction will be felt by the consumer if the quality of the product and the price paid is in line with expectations (Oliveiera, et al., 2022). Maintaining customer satisfaction becomes important because the cost of retaining customers is cheaper than finding new customers. Satisfied customers foster a harmonious company - consumer relationship, cultivate loyalty and generate positive mouth-to-mouth recommendations that greatly benefit the company (Izzah, et al., 2022).

Numerous factors influence customer satisfaction, including service guarantee, which represent endeavors to fulfill customer need and desires accurately to balance the expectations of customers (Tjiptono, 2005). Service guarantees denote a company's commitment to customers satisfaction, conveyed through promotions efforts (Oliveiera, et al., 2022). For customers, service guarantees play an important role in reducing the risk of purchasing. The design of warranties stands as a company effort to enhance consumer satisfaction (Lovelock & WIrtz, 2011).

In addition to guaranteed service, product quality is also a determining factor of customer satisfaction. Product quality holds substantial factor that affects every customer's decision to make a purchase. The higher the product's quality, the more pronounced the interest among consumers to procure it. Attaining the desired

level of product quality necessitates quality standardization. This endeavor seeks to ensure that the manufactured products adhere to predefined benchmarks, thus preventing a loss of consumer confidence in the concerned product (Ernawati, 2019). Quality encompasses various dimensions, including performance which denotes a product's fundamental functional capability; characteristics that encompassing attributes that complement the core functional attribute; reliability indicating product's sustained superiority over time; conformity reflecting the level of conformity between the standards that have been determined with the actual product; durability signifying a product's longevity; service ability indicating the ease ability to repair a product; aesthetics is the capacity to create an appeal to the senses of the consumer; and perceived quality representing consumers' subjective evaluation of the product (Hoque, 2022).

Price is another variable that consumers take into consideration when addressing their needs. Price refers to the monetary amount assigned to a product or service, encompassing the entirety of value exchanged by the consumer or the benefits derived from owning or utilizing the said product or service (Kotler, 2001). rice perception delves into how consumers interpret price-related information. Consumer perceptions of price can range from viewing it as expensive, cheap, or reasonable, contingent upon individual outlooks influenced by lifestyle and personal circumstances (Schiffman & Kanuk, 2013).

This research endeavors to explore the impact of service assurance, product quality and price perception carried out by CV Sinar Jaya Design on consumer satisfaction. The goal is to assist business owners in analyzing their current levels of customer satisfaction and subsequently devising effective strategies to enhance consumer contentment.

II. THEORETICAL BACKGROUND

1. Service Guarantee and Customer Satisfaction

Service assurance is a strategy for the growth of a business by providing service assurance as a promotion to reduce consumer risk perception, differentiate service offerings and improve internal management quality to reduce customer complaints (Hogreve & Gremler, 2009). For customers, service guarantees play an important role in reducing perceived purchase risk. Providing a guarantee in accordance with the wishes of customers is one of the efforts to make them satisfied with the company (Lovelock & WIrtz, 2011).

H1: There is an effect of service guarantee on customer satisfaction.

2. Product Quality on Customer Satisfaction

Product quality is an important factor that influences every customer's decision to buy a product. The better the quality of the product, the more consumer interest will increase who want to buy the product. In order to achieve the desired product quality, a quality standardization must be required. This aims to maintain that the products produced can meet the standards that have been set so that consumers will not lose confidence in the product concerned (Ernawati, 2019). To achieve customer satisfaction, business actors must be able to create product quality that meets the needs and tastes of consumers.

H2: There is an effect of product quality on customer satisfaction.

3. Price Perception on Customer Satisfaction

Price is a multidimensional construct that has a significant impact on consumers in making purchasing decisions. Pricing is a strategy that can be done to keep up with market changes (Ferreira & Antunes, 2019). Companies always provide high satisfaction to consumers through the quality and price of products that are in accordance with consumer perceptions, so that consumers always make repeat purchases of these products (Rahmawati et al., 2020).

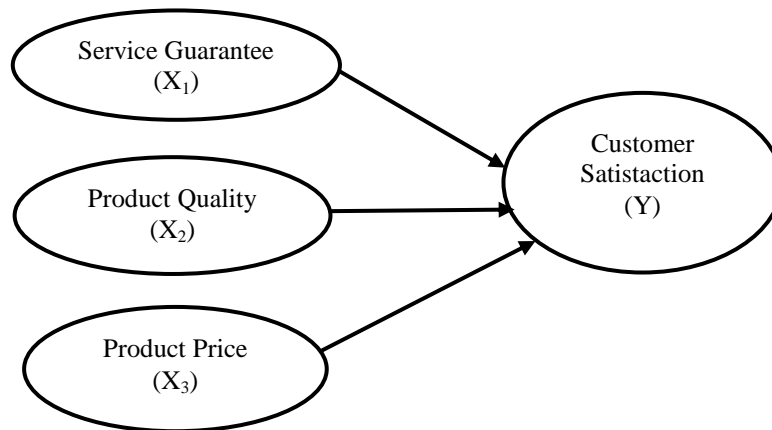H3: There is an effect of price perception on customer satisfaction.

Fig 1. Research Model

III. RESEARCH METHODS

his research adopts a quantitative approach, closely linked to social survey techniques such as structured interviews, structured questionnaires, experiments, structured observations, content analysis, and formal statistical analysis (Sutama, 2010). Population refers to a generalized group comprising objects/subjects possessing specific qualities and characteristics designated by researchers for the purpose of study and drawing conclusions (Sugiyono, 2019). The population selected for this research consists of customers who have made purchases from CV Sinar Jaya Desain's furniture offerings. The sampling technique employed in this study is purposive sampling, which involves selecting participants based on specific considerations (Sugiyono, 2019). The total number of respondents in this study amounted to 97 respondents.

Data collection was conducted through a questionnaire employing a 5-point Likert Scale, where a value of 1 corresponds to "strongly disagree" and 5 signifies "strongly agree". The collected data were subsequently analyzed using the Partial Least Squares Structural Equation Modeling (PLS-SEM) technique, utilizing the SmartPLS version 4 software tool.

The operationalization of the service guarantee variable encompasses 5 measurement indicators, while the product quality variable comprises 5 indicators. The price perception variable consists of 3 indicators, and lastly, the customer satisfaction variable is gauged through 5 indicators.

IV. RESULTS AND DISCUSSION

1. Results

Based on the validity test results, it is stated that all indicators used in measuring service guarantee variables, product quality, price perceptions, and customer satisfaction are declared valid because they produce outer loadings values above 0.5 (Ghozali, 2017) which are shown in table 1 below.

Table 1. Results of Outer Loadings Value

	Service Guarantee (X_1)	Product Quality (X_2)	Product Price (X_3)	Customer Satisfaction (Y)	Result
X11	0,853				Valid
X12	0,865				Valid
X13	0,848				Valid
X14	0,906				Valid
X15	0,892				Valid
X21		0,890			Valid
X22		0,866			Valid
X23		0,861			Valid
X24		0,913			Valid
X25		0,888			Valid
X31			0,881		Valid

Table 1. Cons of Results of Outer Loadings Value

	Service Guarantee (X_1)	Product Quality (X_2)	Product Price (X_3)	Customer Satisfaction (Y)	Result
X32			0,879		Valid
X33			0,851		Valid
Y11				0,842	Valid
Y12				0,876	Valid
Y13				0,872	Valid
Y14				0,902	Valid
Y15				0,867	Valid

Source: Results of smartPLS data processing version 4

Then the results of the Average Variance Extracted (AVE) value are above 0.5 (Hair et al., 2017). It is stated that the data has passed the validity test shown in table 2 below.

Table 2. Results of Average Variance Extracted Value

	Average Variance Extracted	Result
Service Guarantee (X_1)	0,762	Valid
Product Quality (X_2)	0,781	Valid
Product Price (X_3)	0,758	Valid
Customer Satisfaction (Y)	0,760	Valid

Source: Results of smartPLS data processing version 4

Furthermore, the reliability test results also explain that all variables used are reliable because they produce Cronbach's alpha and composite reliability values (rho_a & rho_c) above 0.7 (Ghozali, 2017). It is stated that the data has passed the reliability test shown in table 3 below.

Table 3. Results of *Cronbach's Alpha* dan *Composite Reliability* (rho_a, rho_c)

	Cronbach's Alpha	*Composite Reliability* (rho_a)	*Composite Reliability* (rho_c)	Result
Service Guarantee (X_1)	0,922	0,926	0,941	Reliable
Product Quality (X_2)	0,930	0,931	0,947	Reliable
Product Price (X_3)	0,841	0,845	0,904	Reliable
Customer Satisfaction (Y)	0,921	0,922	0,941	Reliable

Source: Results of smartPLS data processing version 4

The result of the R2 value states that customer satisfaction (Y) is strongly / substantially influenced by 86.4% by service guarantee (X1), product quality (X2), and product price (X3) (Hair et al., 2017) which is shown in table 4 below.

Table 4. R^2 Value Results

	R^2 Value	Result
Customer Satisfaction (Y)	0,864	Strong

Source: Results of smartPLS data processing version 4

The result of the f2 value states that service assurance has no effect on customer satisfaction. Then, product quality has a strong / substantial effect on customer satisfaction of 0.451. Furthermore, product price has a moderate effect on customer satisfaction of 0.326 as shown in table 5 below.

Tabel 5. f² Value Results

	Customer Satisfaction (Y)	Result
Service Guarantee (X₁)	0,000	No effect
Product Quality (X₂)	0,451	Strong effect
Product Price (X₃)	0,326	Moderate effect

Source: Results of smartPLS data processing version 4

The results of the Goodness of Fit (GoF) value state that the overall performance of the outer model with the inner model is very good because it produces a GoF of 0.8312 which is greater than 0.36 (Hair et al., 2017) which is shown below.

$$GoF = \sqrt{0,7653 \times 0,864} = 0,8132$$

The results of hypothesis testing explain that the second and third hypotheses are accepted, while the first hypothesis is rejected. The hypothesis is accepted if it produces a t-statistics value above 1.96, and p-values below 0.05, then the hypothesis is rejected if it produces a t-statistics value below 1.96 and p-values above 0.05 (Hair et al., 2017) which is shown in table 6 below.

Table 6. Research Hypothesis Test Results

	Hypothesis	*Original Sample*	t-statistics	p-*values*	Result
H₁	Service Guarantee (X₁) → Customer Satistaction (Y)	0.016	0.156	0.876	Not Supported
H₂	Product Quality (X₂) → Customer Satistaction (Y)	0.577	5.329	0.000	Supported
H₃	Product Price (X₃) → Customer Satistaction (Y)	0.381	3.898	0.000	Supported

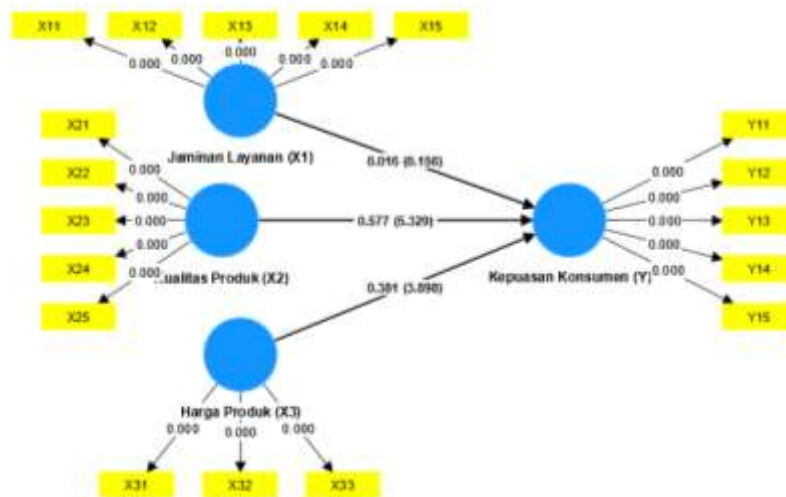Source: Results of smartPLS data processing version 4

Fig 2. Results of smartPLS data processing version 4

2. Discussions

H1: Service guarantee has a positive, but insignificant effect on customer satisfaction

The effect of service guarantee on customer satisfaction at CV Sinar Jaya Design and the results of this study indicate that the service guarantee variable obtained an original sample value of 0.016> 0, which means that the effect is positive. Then, the t-statistics value is 0.156 < 1.96 and the p-values value is 0.876 > 0.05, which means that the effect is not significant. The results of this study state that there is no significant influence

between service assurance on customer satisfaction. This research aligns with a study conducted by Oliveira et al. (2022), which indicates that service assurance does not exert a significant impact on customer satisfaction. Similarly, at CV Sinar Jaya Desain, service guarantees do not have a substantial influence on customer satisfaction due to the fact that a majority of their customers are sellers who do not place a high emphasis on service guarantees as compared to end users.

H2: Product quality has a positive and significant effect on customer satisfaction

The results showed that the product quality variable obtained an original sample value of 0.577> 0, which means that the influence is positive. Then, the t-statistics value is 5.329 < 1.96 and the p-values value is 0.000 < 0.05, which means that the effect is significant. This signifies a significant effect. Consequently, it can be inferred that a substantial and positive correlation exists between product quality and customer satisfaction at CV Sinar Jaya Design. This aligns with the assertion made by Kotler (2001), which underscores that product quality constitutes a characteristic inherent to a good or service, directly impacting its capacity to fulfill both expressed and implied needs. A product's quality contributes to the advantages experienced by the consumer, encompassing the anticipated outcomes upon purchase and utilization.

H3: Product price has a positive and significant effect on customer satisfaction

The results of the price effect research show that the variable obtained the original sample value of 0.381> 0, which means that the effect is positive. Then, the t-statistics value is 0.381 < 1.96 and the p-values value is 0.000 < 0.05, which means that the effect is significant. Consequently, it can be inferred that a significant and positive relationship exists between price and customer satisfaction at CV Sinar Jaya Design in Cikampek City. The perception of price is contingent upon the company's policies, while considering various factors; the classification of a product as cheap or expensive is inherently relative. Thus, it is prudent to conduct a comparative analysis with the prices of analogous products manufactured or offered by other businesses. This notion is echoed by Kotler and Armstrong (2018), asserting that price denotes the sum customers must pay to acquire products. In the case of CV Sinar Jaya Design in Cikampek City, they have established a competitive pricing strategy, thereby leading to customer satisfaction with the offered prices.

V. CONCLUSIONS

Based on the results of data analysis, it can be concluded that there is no significant influence of service assurance on customer satisfaction at CV Sinar Jaya Desain. Conversely, a significant impact exists between product quality and customer satisfaction at CV Sinar Jaya Desain. Moreover, in the context of price perception, a significant connection is evident between price perception and customer satisfaction at CV Sinar Jaya Desain.

To enhance customer satisfaction, CV Sinar Jaya Design should focus on refining its existing service guarantee measures. Simultaneously, efforts should be directed towards enhancing product quality through meticulous attention to raw materials and product design models. In terms of price perception, maintaining an effective pricing strategy is imperative for sustaining and bolstering customer satisfaction.

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