



**universitas  
bandar lampung**  
SCHOOL OF POLITICAL AND SOCIAL SCIENCE  
Bandar Lampung University, Indonesia

# **Icon-LBG** 2016

## **The Third International Conference on Law, Business and Governance**

# **PROCEEDINGS**

Hosted by  
Faculty of Law, Faculty of Economics and Faculty of Social Science  
Bandar Lampung University (UBL)



# Icon-LBG 2016

THE THIRD INTERNATIONAL CONFERENCE  
ON LAW, BUSINESS AND GOVERNANCE 2016

20, 21 May 2016  
Bandar Lampung University (UBL)  
Lampung, Indonesia

## PROCEEDINGS

Organized by:



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## ***PREFACE***

The Activities of the International Conference are in line and very appropriate with the vision and mission of Bandar Lampung University (UBL) to promote training and education as well as research in these areas.

On behalf of the Third International Conference on Law, Business and Governance (3<sup>th</sup> Icon-LBG 2016) organizing committee, we are very pleased with the very good response especially from the keynote speaker and from the participants. It is noteworthy to point out that about 46 technical papers were received for this conference.

The participants of the conference come from many well known universities, among others : International Islamic University Malaysia, Unika ATMA JAYA, Shinawatra University, Universitas Sebelas Maret, Universitas Timbul Nusantara, Universitas Pelita Harapan, Universitas Bandar Lampung, Universitas Lampung.

I would like to express my deepest gratitude to the International Advisory Board members, sponsor and also to all keynote speakers and all participants. I am also grateful to all organizing committee and all of the reviewers who contribute to the high standard of the conference. Also I would like to express my deepest gratitude to the Rector of Bandar Lampung University (UBL) who give us endless support to these activities, so that the conference can be administrated on time

Bandar Lampung, 21 May 2016

**Mustofa Usman, Ph.D**  
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## THE INFLUENCE OF QUALITY PRODUCTS AND QUALITY OF CUSTOMER LOYALTY IN CIGARETTE CLASS MILD(CASE STUDIES IN PT.NIAGA NUSAABADI BANDAR LAMPUNG)

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### Abstract

This research is motivated a condition that is now increasingly fast-moving business where competition is more advanced in the field of cigarettes. Integration thus a need to have a marketing strategy in order to maintain and towards higher market share. As for the issue of this study is "What are the factors of product quality, service quality, positive effect on consumer loyalty Class Mild cigarette?". The purpose of this study was to analyze the effect of each - each variable, the quality of the product (X1), quality of service (X2), customer loyalty (Y). In this study, the data collected through questionnaires to 70 respondents who consume Class Mild cigarettes. Quantitative analysis includes the validity and reliability, test analysis multiple linear regression, hypothesis testing through F test and t test and determination coefficient (R<sup>2</sup>). Data that has met the test of validity, reliability test, test analysis multiple linear regression, hypothesis testing through F test and t test and determination coefficient (R<sup>2</sup>) is processed to produce a regression equation as follows:  $Y = 20.521 + 0.568 X1 + 0.405 X2$ . The results of the analysis found that both factors of product quality, service quality, has a positive and significant impact on customer loyalty. Testing the hypothesis that to use it t test showed that two independent variables studied was shown to significantly affect the dependent variable customer loyalty. Then through the F test can be seen that the variable product quality, service quality, significant effect together - together in customer loyalty. Calculation results obtained  $R_x, y = 0.649$  and determination coefficient  $R^2_{x, y} = 0.649$  or 64.90%. The magnitude of the coefficient of determination, giving the sense that the magnitude of change in consumer loyalty 64.90% variable is explained by the quality of product and quality of service while the remaining 35.10% is explained by other factors not authors carefully.

Keywords: product quality, service quality, and customer loyalty

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## 1. INTRODUCTION

### BACKGROUND OF THE PROBLEM

Along with the development of this present age, then also followed by growth and the birth of the companies growing rapidly, it is engaged in goods and services. Where the quality of product and quality service which is one of the factors to influence customer loyalty. The product quality is highly uncertain factor in consumer satisfaction after the purchase and use of a product. Tjiptono (2012:157) states that "service quality is a measure of how good a given level of service that is able to correspond with customer expectations. Customer loyalty has a very close relationship to the quality of service the following sales data and service data PT. Niaga Nusa Abadi Bandar Lampung who can be seen in the table below.

Table 1  
 Cigarette Sales Data Class Mild  
 Period 2011 – 2015

Year	Sales Target (Rp)	Realized Sales (Rp)	Achievement Target(%)
2011	14.752.615.000	11.978.476.000	81, 19
2012	17.239.925.000	15.642.739.000	90, 73
2013	18.564.046.000	16.878.571.000	90, 92
2014	22.705.371.000	20.719.675.000	91, 25
2015	25.699.389.000	23.899.572.000	92, 99
Averages achievement of targets :			89, 41

Source: Class Mild cigarette sales data period,2011 – 2015

Table 2  
 Data Services Class Mild Cigarettes  
 The period of January 2015 - December 2015

Months	Consumers (Store)
January	109
February	128
March	111
April	95
May	101
June	144
July	128
August	131
September	125
October	91
November	117
December	233
Averages	126

Source: Data services Mild cigarette Class period, January 2015 - December 2015

In view of the table of data services on cigarettes 1.2 Class Mild periods January 2015 - December 2015 PT. Niaga Nusa Abadi declined for three consecutive months in which counted from August to October was having problems in his ministry that will have an impact on the customer loyalty Advertising activities conducted by the company with active very useful for two objectives: attract new buyers and maintaining the old buyers. Based on the background described above, and then take the title of research "THE INFLUENCE OF QUALITY PRODUCTS AND QUALITY OF CUSTOMER LOYALTY IN CIGARETTE Class Mild(Case Studies in PT. Niaga NusaAbadi Bandar Lampung)."

### IDENTIFICATION OF PROBLEMS

Based on the background that can be known problems experienced PT.Niaga Nusa AbadiBandar Lampung is a service which fluctuated seen from table 1.2 of the data service. Where a decline in August to October is 131 consumers in August,125 consumers in Septemberuntil October to 91 consumers. The decrease of these services can be an indicator that shows the dissatisfaction of consumers against Class Mild cigarette products offered by PT. Niaga Nusa Abadi Bandar Lampung that will show how much customer loyalty to the product's non Class Mild.

### FORMULATION OF THE PROBLEM

1. Is the quality of the products having a significant effect on customer loyalty in Class Mild cigarettes?
2. Is the quality of services having a significant effect on customer loyalty in Class Mild cigarettes?

3. Is the quality of product and service quality having a significant effect on customer loyalty in Class Mild cigarettes?

### **OBJECTIVE OF THE RESEARCH**

1. To analyze the effect of product quality on customer loyalty in Class Mild cigarettes (Case Study at PT. Niaga Nusa Abadi Bandar Lampung).
2. To analyze the impact of service quality on customer loyalty in Class Mild cigarettes (Case Study at PT. Niaga Nusa Abadi Bandar Lampung ).
3. To analyze the impact of service quality on customer loyalty in Class Mild cigarettes (Case Study at PT. Niaga Nusa Abadi Bandar Lampung).

### Contributions Research

This study is expected to be useful for the author, company, and for further research or other parties.

### Systematics Writing

#### CHAPTER I INTRODUCTION

#### CHAPTER II LITERATURE, CONCEPTUAL FRAMEWORK AND HYPOTHESES

#### CHAPTER III RESEARCH METHODS

#### CHAPTER IV RESULTS AND DISCUSSION

#### CHAPTER V CLOSING

## **2. LITERATURE, CONCEPTUAL FRAMEWORK AND HYPOTHESES**

### Review of Literature

#### Management

Management is a skill or ability to influence other people to do things for us. Management has a very close relationship with the leader or leaders. According Siswanto (2005: 2), "Management is science of planning, organizing, directing, motivating, and control of the working mechanism to achieve the goal."

#### Marketing

Marketing is a series of activities process not only includes the sale of an item or the despair generated by the company, where such activities oriented only for sales but goes further than that.

According to AchmadBuchory (2010: 2), "Marketing is a social and managerial process between individuals and groups to meet the needs and desires through the creation, deals, and exchange (value) product with another."

#### Marketing Management.

Marketing management is a process of planning, analyzing, implementing, implementing and monitoring or controlling the marketing activities within a company in order to achieve the company's targets or goals more efficiently and effectively. Then marketing management functions itself as covering the purchaser or consumer research, product development, communication and promotion, distribution strategies, pricing of products and provision of services to consumers.

According Lupiyoadi (2006: 6), "Marketing management is an analysis, planning, implementation and control program - a program that has been planned in conjunction with the exchanges of the desired target consumers for personal gain and profit together "Services to consumewith its control over the level of excellence to meet customers. "

#### Quality Products

The product quality is important for companies to seek consumer needs and desires in his satisfaction in order to compete with other markets. The quality of products seen by consumers will provide a positive or negative impact on consumers who view the products offered by the company.

According to Kotler and Armstrong (2012: 396) the meaning of the quality of products is the ability of a product to demonstrate its functions, it includes the overall durability, reliability, accuracy, ease of operation of the product are also other product attributes.

According Tjiptono (2001: 25), Dimension Product Quality consists of, namely:

1. Performance (performance)
2. Durability (endurance)
3. Conformance to specifications (conformity to specifications),

4. Features (feature)
5. Reliability (reliability)
6. Aesthetics (aesthetics)
7. Perceived quality (image quality),

#### Quality of Service

Quality of service is something that is prepared by the company to how to provide the best service to customers. According Tjiptono (2007: 59), "Quality of service is the level of excellence expected by its control over the level of excellence to meet customers." According to Parasuraman, Zeithaml, and Berry in Saleh (2010: 103), there are five dimensions of service quality are:

1. Physical Evidence (Tangible)
2. Reliability (Reliability)
3. Responsiveness (Responsiveness)
4. Assurance (Assurance)
5. Empathy (Empathy)

#### Customer Loyalty

According to Kotler and Keller (2009: 62) defines, "Customer loyalty is a commitment to high customer to re-subscribe or re-purchase of products / services preferred consistently in the future, despite the influence of the situation and the business - marketing efforts have the potential to cause changes in behavior." There are several dimensions in customer loyalty according to Griffin (2005: 31), namely:

1. Making a purchase on a regular basis.
2. Recommending or promote the product to others.
3. Shows immunity (for the product in question) in the competition

#### 2.5 Review on related studies

1. Muhammad Maftukhin (2009)

Effect of Service Quality and Product Quality on Customer Loyalty Shop Bandeng Juwana Erlina Semarang with the conclusion kulaitas products, quality services and a significant positive effect on customer loyalty.

2. Alfi Sukma Wijaya (2008)

Effect of Price, Product Quality and Service Quality on Customer Loyalty Through Customer Satisfaction In Counter Hp "Teak Bird" Semarang with the results of the variable price, service quality positively affects customer satisfaction. And variable customer satisfaction positive effect on customer loyalty.

3. Abdul Basith (2014)

Effect of Product Quality and Service Quality Customer Satisfaction and Customer Loyalty (Survey on Customer De'Pans Pancake and waffle in Malang) with variable results of product quality and service quality significantly influence customer satisfaction. The variable quality of product and service quality not significant effect on customer loyalty. Well as customer satisfaction variable positive effect on customer loyalty.

## CONCEPTUAL FRAMEWORK

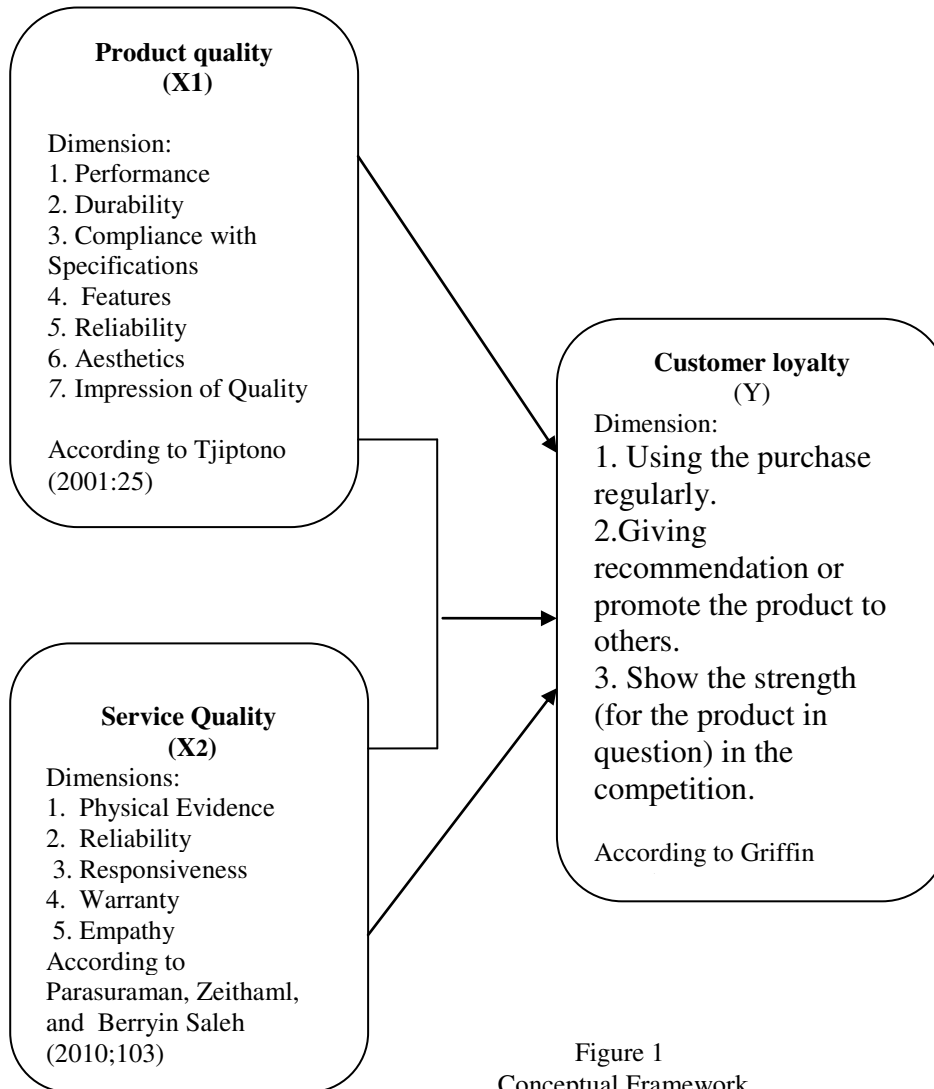


Figure 1  
Conceptual Framework

## HYPOTHESES

Based on the formulation of the problem which has been described earlier, then the next can be given as an answer hypothesis or conjecture as to these problems, namely:

H1: The product quality positively affects customer loyalty.

H2: The quality of service a positive effect on customer loyalty.

H3: The quality of product and service quality along a positive effect on customer loyalty

## 3. RESEARCH METHODS

### TYPES OF RESEARCH

1. Library Research
2. Field Research

### DESIGN RESEARCH

This research means research causality the research wants to find an explanation in the form of causality (cause-effect) between some concept and some of the variables that are developed. Causality study aimed to define a causal relationship between some of the situations described in a variable and then on the basis that the general conclusions are drawn.

Variable and Operational Variables

Research Variables



According Sugiyono (2012: 59), "The research variable is an attribute or the nature or value of people, objects or activities that have a specific variation applied by researchers to learn and then drawn consuls in these research variables are used, as follows:

1. The independent variables are variables (symptoms / phenomena / factors / elements) that are considered to determine or influence the other variables (called the dependent variable).
2. Variable bound namely variable (symptoms / phenomena / factors / elements) that appear or change because it is influenced or determined by other variables (called independent variables).ions."And where in this study there are several variables, namely product quality, service quality, and customer loyalty.

#### Operational Variables

This study used some terms that are defined operationally in order to be a clue in this study.

#### Population and Sample

The research at PT. Niaga Nusa Abadi Bandar Lampung require some populations and samples for examination. Then the researchers could determine population and sample as follows:

#### Population

According Sugiyono (2005: 72) is the region's population generalization which consists of object /subject that has certain qualities and characteristics that are placed by researchers to learn and then drawn conclusions. In this study, the population is consumers who buy non-branded products Class Mild in December 2015 with the number of 233 consumers (Store).

#### Sample

According Sugiyono (2005: 73) the sample is part of the number and characteristics possessed by this population, the researchers can use samples drawn from the population.The sampling technique in this study conducted by purposive sampling is a sampling technique chosen with certain criteria. Sample criteria are consumers who consume cigarettes roommates are Class Mild. The sample size is determined by using the formula Solving cited by Husein Umar (2005: 108) as follows:

$$N = \frac{n}{1 + Ne^2}$$

Notes:

n: sample size

N: The population size is the number of consumers who buy tobacco products Class Mild

e: Critical Value

Thus, in this study the number of samples can be determined in the following manner:

$$N = \frac{233}{1 + 233 (0,1)^2}$$

$$N = \frac{233}{3,33}$$

$$N = 69,96$$

In this study, the number of samples rounded up to 70 consumers.

#### Data Collection Techniques

1. Observation
2. Interview / communications
3. Documentation
4. Questionnaire.

This questionnaire using the Likert scale, with an assessment questionnaire as follows:

- a. Strongly disagree = 1
- b. Do not agree = 2
- c. Quite agree = 3
- d. Agree = 4
- e. Strongly agree = 5

## Validity and Reliability

### Validity

The use to measure the validity of a questionnaire. Validity test is done to ensure that each question will be clarified in the variables that have been determined. Items questions can be considered valid if it has a loading factor of more than 0.40.

### Test Reliability

Conducted to determine the extent to which the measurement results remain consistent, if the measurements were taken twice or more of the symptoms with symptoms similar to using the same gauge. Reliability testing is performed by calculating Cornbrash alpha of each instrument in a variable. The instrument used is said to be reliable (reliable) if it has a value of more than 0.6 Cornbrash alphas.

### Method of Analysis

#### Qualitative Analysis

Qualitative analysis is an analysis of data that cannot be combined with the use of numbers, but are presented in the form of information, explanation and discussion of the theory.

#### Quantitative Analysis

The quantitative analysis is the analysis of the data in the form of numbers that discussion, through statistical calculation based on answers to questionnaires from respondents. The result of the calculation of the score or the value later in the statistical analysis performed with SPSS to prove the relationship and influence between the variables of the study, to test the following data:

#### Multiple Linear Regression Analysis

Interest multiple linear regression analysis is to measure the intensity of the relationship between two or more variables and make predictions estimated value.

Multiple linear regression analysis can be expressed by the following equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + E_t$$

Notes:

- Y : Customer loyalty
- $\alpha$  : Constants (constants)
- $\beta_1$  : Regression coefficients
- X1 : Product quality
- $\beta_2$  : Regression coefficients
- X2 : Service quality
- E<sub>t</sub> : *standard error*

#### Uji Hipotesis

1. testt (regresiparsial)
2. testF (regresisimultan)

#### The coefficient of determination (R<sup>2</sup>)

Test R - square is also known as the coefficient of determination that is commonly used to evaluate the fit of R - square is 1 minus the ratio of residual variability. When the variability of a small residual value around the regression line relative to the overall variability is small, a good prediction of the regression equation. In most cases, the ratio and R - square going away somewhere between these extremes, 0.0 and 1.0.

#### STAGE RESEARCH

Stages in the study of quantitative and qualitative approaches can be broadly divided into three main stages, namely:

1. The planning stage, include:
2. The implementation stage
3. Phase writing

#### 4. RESULTS AND DATA ANALYSIS

##### COMPANY OVERVIEW

##### VISION AND MISSION PT NIAGA NUSA ABADI

##### ORGANIZATIONAL STRUCTURE

##### OVERVIEW OF RESPONDENTS

Respondents in this research that consumers on pt. Niaga nusa abadi bandar lampung identities respondents were used in the study are:

AGE

Table 1  
 Characteristics of respondents by age level

No	Age	The Number of Consumers
1	10-20 year	4
2	21-30 year	21
3	31-40 year	33
4	41-50 year	7
5	51-60 year	5
<b>Average</b>		70 consumers

Of table 1 can be said that in this study the subjects or respondents consisted of ages 10-20 years as many as four people, ages 21-30 were 21 people, aged 31-40 as many as 33 people, ages 41-50 as many as 7 people and ages 51-60 years as many as five people. It can be concluded that most subjects or respondents who are aged between 31-40 years as many as 33 respondents.

#### RESULTS

##### ANALYSIS OF THE INDEX OF RESPONDENTS TO VARIABLE X1 PRODUCT QUALITY

Product quality can be perceived by different people. This study measured variables Product Quality, Product Quality variable in this study was measured through 10 pieces item statement.

Can be explained that the variable quality of the products indicate value averages empirical amounted to 35.19%, then this shows that the quality of the product at the score was. With the highest index of 40% were obtained from the statement item number (5) and the lowest response of 26.2% were obtained from the statement item number (4), (6) and (9).

Analysis of the index of respondents to the Service Quality variable X2

Quality of Service can be perceived by different people. This study measured variable Service Quality, Service Quality variable in this study was measured through 10 pieces item statement.

Can be explained that the Service Quality variable indicates value - average empirical amounted to 40.9%, it indicates that the quality is at the level of a high score. With the highest index of 55.1% were obtained from the statement item number (4) and the lowest was 37.7% answers obtained from the statement item number (9).

Analysis of the index of respondents to variable customer loyalty value Y

Customer loyalty can be perceived by different people. This study measured variable customer loyalty, customer loyalty variables in this study was measured through 10 pieces item statement.

Can be explained that variable customer loyalty shows the value - average empirical amounted to 39.11%, it shows that customer loyalty at a high level the scores. With the highest index of 42.2% were obtained from the statement item number (5) and the lowest was 35.8% answers obtained from the statement item number (7).

Analysis Multiple Linear Regressions

Inferential analysis is intended to determine the influence of independent variables on the dependent variable is by using multiple linear regression analysis. From the result data process by using SPSS version 18.

Based on the results, and then put into the form of multiple linear regression equation, so that it becomes the following equation:

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e_t$
$Y = 20,521 + 0,568X_1 + 0,405X_2$

- Y : customer loyalty
- $\alpha$  : constants
- $\beta_1, \beta_2$  : regression coefficients
- X1 : Product quality
- X2 : Service quality
- Et : Error

Based on the multiple linear regression equation as above interpretation can be given as follows:

1. The above results can be expressed in the form  $Y = 20,521 + 0,568 X1 + 0,405 X2$  which can be interpreted as follows, equation  $Y = 20,521 + 0,568X1 + 0,405X2$  coefficient indicates that the variable quality of products (0,568) has a value greater than the service quality variable coefficient (0.405).
2. The coefficient for the variable quality of the product ( $\beta_1$ ) of 0,568 implies that there is a positive influence between the variable quality of the product ( $\beta_1$ ) to variable customer loyalty (Y) at PT. Nusa Abadi Niaga Bandar Lampung, it will increase customer loyalty variable (Y) at 0,568 points.
3. The coefficient for the variable quality of service ( $\beta_2$ ) of 0.405 means that there is a positive influence between the variable quality of service ( $\beta_2$ ) to variable customer loyalty (Y) at PT. Nusa Abadi Niaga Bandar Lampung, it will increase customer loyalty variable (Y) Reviewed by 0.405 points.
4. It can be concluded from these two variables shows that the occurrence of a good customer loyalty more or predominantly influenced by the quality of the products of the quality of service.

Hypothesis t (Effect of partial hypothesis)

To test the truth of the regression model for each variable can be obtained by using the t test.

Hypothesis F (Effect of simultaneous hypothesis)

Simultaneous test is intended to determine whether the variable quality of product and service quality together can affect customer loyalty variable. Simultaneous test is done by comparing the value of  $F_{hitung}$  with  $F_{table}$  is:

- If the value of  $F_{hitung} > F_{table}$  then reject  $H_0$ , vice versa
- If the value of  $F_{hitung} < F_{table}$  then accept  $H_0$

The Coefficient of Determination ( $R^2$ )

Variables influence the quality of product and service quality to the value of customer loyalty. Calculation results obtained  $R_x, y = 0,806$  and determination coefficient  $R^2_{x, y} = 0.649$  or 64.90%. The magnitude of the coefficient of determination, giving the sense that the magnitude of change in the variable loyalty pelanggan 64, 90% explained by the quality of products and quality of service while the remaining 35.10% is explained by other factors not authors carefully.

## **DISCUSSION**

Based on statistical analysis can be clearly seen that research testing using multiple linear regression equation as above interpretation can be given as follows:

1. The above results can be expressed in the form  $Y = 20,521 + 0,568 X1 + 0,405 X2$  which can be interpreted as follows, equation  $Y = 20,521 + 0,568X1 + 0,405X2$  coefficient indicates that the variable quality of products (0,568) has a value greater than the service quality variable coefficient (0.405).
2. The coefficient for the variable quality of the product ( $\beta_1$ ) of 0,568 implies that there is a positive influence between the variable qualities of the product ( $\beta_1$ ) to variable customer loyalty (Y) at PT. Niaga Nusa Abadi Bandar Lampung, it will increase customer loyalty variable (Y) at 0,568 points.
3. The coefficient for the variable quality of service ( $\beta_2$ ) of 0.405 means that there is a positive influence between the variable quality of service ( $\beta_2$ ) to variable customer loyalty (Y) at PT. Niaga Nusa Abadi Bandar Lampung, it will increase customer loyalty variable (Y) Reviewed by 0.405 points.
4. It can be concluded from these two variables shows that the occurrence of a good customer loyalty more or predominantly influenced by the quality of the products of the quality of service

## **5. CONCLUSIONS AND RECOMMENDATIONS**

### **CONCLUSION**

From the discussions that have been described, it can be concluded as follows:

1. Product quality has a positive effect on customer loyalty.
2. Quality of Service has a positive impact on customer loyalty.
3. Quality of product and service quality together have a positive effect on customer loyalty.

## **SUGGESTIONS**

Based on the conclusions that have been done then the advice that can be given in this study is seen from the questioner and the results of hypothesis testing, it can be concluded that:

1. Next in order of PT. Niaga Nusa Abadi Bandar Lampung able to create a more affordable price and can be more social market.
2. An employee at PT. Niaga Nusa Abadi Bandar Lampung has a level of service at a medium level.

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