

THE ANALYSIS OF SERVICE QUALITY, INNOVATION, AND CORPORATE IMAGE ON CUSTOMER LOYALTY OF RAGEY VON VON RESTAURANT

by

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ABSTRACT

People always get hungry so they need food and people find themselves hungry with no time to cook, so they eat out. That's why booming the restaurant industry. The restaurant business in North Sulawesi especially in Tomohon have been growing rapidly, particularly minahasa restaurant that selling typical local food Tomohon or Manado because the majority is Christian people therefore many restaurant selling Minahasa food. Service quality, innovation and corporate image is very supportive of customer behavior, especially customer loyalty at Ragey VonVon restaurant. Ragey VonVon restaurant toward the service quality, innovation, and corporate image on customer loyalty. This research used primary and secondary data. The method used to analyze the data is the Multiple Regression Analysis. The population in this study is a customers of Ragey VonVon restaurant where as samples taken by each respondent 100 respondents. This study reveals that service quality, innovation, and corporate image has significant effect partially on customer loyalty in Ragey Von Von. Therefore, Service quality, innovation, and corporate image very influence toward customer loyalty that has been one of the most important keys to the restaurant success. of Ragey Von Von restaurant must consider about the importance of service quality, innovation and corporate image, regarding with it in advanced.

Keywords: *service quality, innovation, corporate image, customer loyalty*

INTRODUCTION

Research Background

The market of food has always played a central role in human's lives, communities, communication, and culture (Huddleston et al., 2009). People always get hungry so they need food. People find themselves hungry with no time to cook; so they eat out. The result is the booming restaurant industry. Within the few years, the restaurant business in North Sulawesi especially in Tomohon have been growing rapidly, particularly minahasa restaurants. Minahasa restaurant selling typical local food Tomohon or Manado. Because in Tomohon or Manado majority of christian people therefore many restaurant selling food Minahasa.

Competition between minahasa restaurant become extremely aggressive and businesses are focused on attaining the highest revenue possibly in order to remain profitable. As minahasa restaurants become more competitive, customers' decision are based on impressions regarding attributes of food and service quality. Therefore, restaurant operators should use a customer-oriented marketing strategy that identifies customer needs, thereby leading to their satisfaction and loyalty. Customers satisfaction has become one of the most critical marketing priorities because it is generally assumed to be a significant determinant of repeat sales, positive word-of-mouth, and customer loyalty. Customer loyalty is one of the most important keys to the restaurant success. Customer loyalty leads to higher customer retention rate and to continuous business success. Ragey Von Von restaurant is a minahasa restaurant in Tomohon. Besides Ragey Von Von restaurant, there are so many minahasa restaurant in Tomohon. Ragey Von Von restaurant serves a nice selection of minahasa food such as ragey, sate manis, sate rica, babi rica, tinorangsak, rw, ikan saos, ikan woku, brenebon, ayam rica, and many others.

Research Objectives

This research has several objectives are to analyze the influence of:

1. Service quality, innovation, and corporate image on customer loyalty of Ragey Von Von restaurant simultaneously
2. Service quality on customer loyalty of Ragey Von Von restaurant partially.
3. Innovation on customer loyalty of Ragey Von Von restaurant partially.
4. Corporate Image on customer loyalty of Ragey Von Von restaurant partially.

THEORETICAL REVIEW

Service Quality

Quality is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs. We can say that the seller has delivered quality whenever the seller's product or service meets or exceeds the customer's expectation." (Kotler and Keller, 2006: 139).

Since there are many restaurant options available, restaurant customers will not hesitate to leave an establishment for a new one if the restaurant fails to provide quality service. The importance of service quality has increased in recent years, and many researchers have shown the relationship between service quality and customer satisfaction.

Innovation

Innovation is about finding a better way of doing something. Innovation can be viewed as the application of better solutions that meet new requirements, in-articulated needs, or existing market needs. This is accomplished through more effective products, processed, services, technologies, or ideas that are readily available to markets, governments and society. In business and economics, innovation is the catalyst to growth.

Corporate Image

The Opinion Research Corporation stated corporate image is a major part of what sells a company and its products. Corporate image is defined as the perceived sum of the entire organization, its objectives and plans. It encompasses the company's products, services, management style, communications activities and actions around the world. Many firms focus little attention on their corporate image until it has been severely damaged. Often, this recognition comes too late to remedy the situation. Building a positive corporate image requires skillful long-term planning.

Customer Loyalty

Heskett et al. (1994) showed that loyal customers not only provide increased profits but also cover the losses incurred in dealing with less loyal customers. Customer loyalty leads to higher customer retention rate and to continuous business success even in situations where failure to satisfy customers would normally cause an early termination of business. Therefore the restaurant operation must focus not only on attracting first-time customers but also on developing long term relationship with customers. Reichheld (1999) discussed the advantages of customer loyalty to the service provider, in terms of continuous profit, reducing marketing cost, increasing per-customer revenue growth; and increasing referrals.

Previous Research

Rasha (2006) in this journal about A Study of Customer Loyalty and The Image Of The Fine Dining Restaurant. The result in this research proven that service quality, restaurant image, customer satisfaction, and customer loyalty have direct and significant positive influence on customer satisfaction. Muhammad (2012) in his journal Perceived Value, Service Quality, Corporate Image And Customer Loyalty. The purpose of this research is to ascertain the impact of customer perceived value, service quality and corporate image on customer loyalty. Kofi et al., (2013) in their journal about Impact of Service Quality on Customer Loyalty in Hotel Industry. The study shows that the satisfaction levels of guests are not based solely on the classification of the hotels which are generally based on the tangibility variable. The relationship and impact of service quality variables are further buttressed by the results of a simple profit Regression Model.

Research Hypothesis

The hypotheses of this research are:

H₁: Service Quality, Innovation, and Corporate Image significant influence Customer Loyalty in Ragey Von Von restaurant simultaneously.

H₂: Service Quality significant influence Customer Loyalty in Ragey Von Von restaurant partially.

H₃: Innovation significant influence Customer Loyalty in Ragey Von Von restaurant partially,

H₄: Corporate Image significant influence Customer Loyalty in Ragey Von Von restaurant partially.

Conceptual Framework

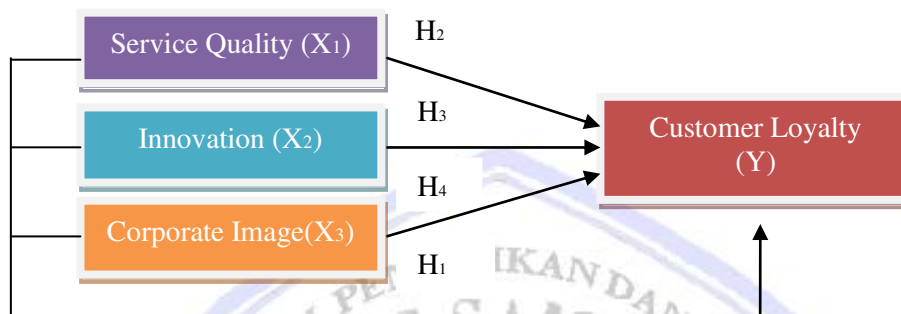


Figure 1. Conceptual Framework

Source: Data Processed, 2014

RESEARCH METHOD

Type of Research

This research will be conducted to analyze the service quality, innovation, and corporate image on customer loyalty of Ragey Von Von restaurant. Where the customer loyalty as the dependent variable (Y) and the variables that affect customer loyalty which is service quality, innovation, and corporate image into an independent variable or variables are (X). This research is causal type. Causal since the purpose is to determine if one or more variables cause another variable to occur or change. This research is a quantitative method since using questionnaire as a tool to gather data and analysis.

Place and Time of Research

The study will be conducted in Tomohon during September 2014. The questionnaire was distributed directly on Ragey Von Von restaurant.

Population and Sample

Population is the entire group or people, events, or things that the researcher desires to investigate (Sekaran and Bougie, 2009:265). The population in this research is the customers of Ragey Von Von restaurant per day 50 customers in 30 days is 1500 population that who have visited this restaurant for more than four times, because this research focuses on the customer loyalty. To find out the exact number of sample this research used Slovin formula and based on Slovin formula there are 100 sample of respondents. The sampling design is sample random sampling that is considered as the best way of getting some basic information quickly and efficient.

Data Collection Method

Primary data is originated by the researcher specifically to address the research problem. This primary data generated by distributing the questionnaire with the relevant person in charge that become the point of interest for the research. In order to generate more accurate data. In this research the questionnaire distributed to 100 respondents of Ragey Von Von restaurant. Secondary data in this research is gathered from some related books, journals, internet, and literature from library. Secondary data use to support the research in order to develop the fundamental analysis and adding information regarding to the research.

Operational Definitions and Measurement of Research Variable.

Operational definitions of research variables are:

1. Service Quality (X_1) an form of achievement in customer service.
2. Innovation (X_2) an aspect for the assessment of customer loyalty.
3. Corporate Image (X_3) is defined as the perceived sum of entire organization, its objectives and plans.

Data Analysis Method

Validity and Reliability Test

The reliability of a measure is established by testing for both consistency and stability. Consistency indicates how well the items measuring a concept hang together as a set, Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another (Sekaran and Bougie 2009:324).

Multiple Regressions on Analysis Method

Multiple regressions use to express the effect of independent variables and the dependent variable. The formula of linear regression (multiple linear regressions) in general as follows: $Y = a + b_1X_1 + b_2X_2 + b_3X_3$

Where:

- Y = Customer Loyalty,
 X_1 = Service Quality,
 X_2 = Innovation,
 X_3 = Corporate Image, and
 B_{1-3} = partial coefficient for each variable X_1, X_2, X_3 .

RESULTS AND DISCUSSION

Validity and Reliability

Validity

Table 1. Validity Result

Variables and Indicators	Pearson Correlation
X_1 Service Quality	
$X_{1.1}$.713
$X_{1.2}$.819
$X_{1.3}$.782
X_2 Innovation	
$X_{2.1}$.829
$X_{2.2}$.869
$X_{2.3}$.915
X_3 Corporate Image	
$X_{3.1}$.665
$X_{3.2}$.780
$X_{3.3}$.751
Y Customer Loyalty	
Y_1	.744
Y_2	.885
Y_3	.757

Source: Data Processed SPSS, 2014

The Table 1, shows the independent and dependent variable are valid with a Pearson Correlation values are above 0.3.

Reliability

Table 2. Reliability Result

Variables	Cronbach's Alpha
X ₁	.806
X ₂	.911
X ₃	.764
Y	.869

Source: Data Processed SPSS, 2014

The value of Cronbach's Alpha are more than 0.6, indicated that all research instrument indicator of variable are reliable.

Heteroscedasticity

Heteroscedasticity occurs if there are dots which form a certain pattern regularly as waves. Homoscedasticity occurs if there are no certain patterns which are clear, and the dots spread above and below the 0 the Y-axis

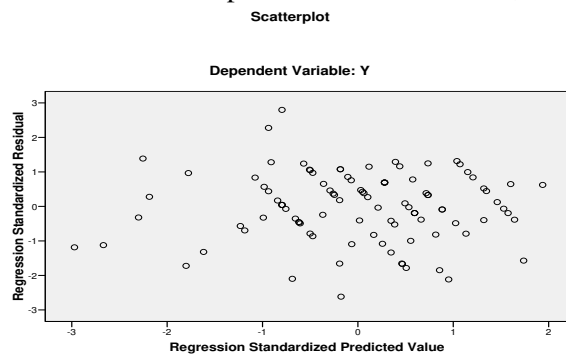


Figure 1. Heteroscedasticity Results

Source : SPSS data analysis, 2014

Figure 2 shows that the patterns of the dots are spreading and the dots are spreading above and below the zero point of Y-axis. So, there is no heteroscedasticity in this regression.

Normality

Normality test can be identifying by using graph of P-P Plot. The data will distribute normally if the value of P-P Plot is near diagonal line of the graph.

Normal P-P Plot of Regression Standardized Residual

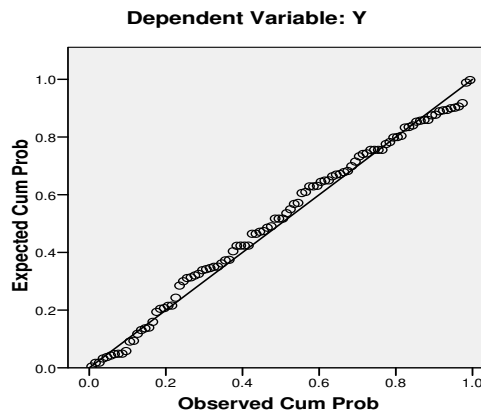


Figure 2. Normality Results

Source : *SPSS data analysis, 2014*

Figure 3 shows the dots spread near the diagonal line and follow the direction of the diagonal line. Therefore, the data is distributed normally.

Table 3. Coefficient Correlation (R) and (R Square)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.944(a)	.891	.887	.21778	1.711

a Predictors: (Constant), X₃, X₂, X₁

b Dependent Variable: Y

Source: *SPSS data analysis, 2014*

The analysis of correlation (r) is equal to 0.944 indicating that the Correlation of The Influence of X₁ – X₃ on Y has a strong relationship.

Hypothesis Testing**Table 4. F-test**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37.119	3	12.373	260.883	.000(a)
	Residual	4.553	96	.047		
	Total	41.672	99			

a Predictors: (Constant), X₃, X₂, X₁

b Dependent Variable: Y

Source: *SPSS data analysis, 2014*

At the level of significant of 0.01 ($\alpha = 0.01$) the f_{table} (from f distribution table) is = 5.39, while the value of f_{count} from the table is 260.883. Since $f_{count} = 260.883 > f_{table} = 5.39$ then H_0 is rejected and H_a is accepted. It means all the independent variables simultaneously influence the dependent variable significantly.

Table 5. T-test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.009	.127		3.072	.003		
	X ₁	.208	.073	.203	2.843	.005	.224	4.474
	X ₂	.432	.048	.487	8.997	.000	.389	2.572
	X ₃	.348	.074	.328	4.673	.000	.231	4.334

a Dependent Variable: Y

Source: *SPSS data analysis, 2014*

The calculations in table 5, the interpretation as follows:

- 1) t_{count} for Service quality (X₁) 2.843 more than the value of 1.660 t_{table} means Service quality (X₁) partial influence on customer loyalty (Y) in Ragey Von Von. The sig. value at 0.005 means that prediction of Service quality (X₁) on customer loyalty (Y) in Ragey Von Vondong errors is 5%, thus the confidence of this prediction is below 95%. Therefore, H_0 is accepted and rejecting H_a .

- 2) t_{count} for Innovation (X_2) 8.997 more than the value of 1.660 t_{table} means Innovation (X_2) partial influence on customer loyalty (Y) in Ragey Von Von. The sig. value at 0.000 means that prediction of Innovation (X_2) on customer loyalty (Y) in Ragey Von Von doing errors is 0%, thus the confidence of this prediction is below 95%. Therefore, H_0 is accepted and rejecting H_a .
- 3) t_{count} for Corporate image (X_3) 4.673 more than the value of 1.660 t_{table} means Corporate image (X_3) partial influence on customer loyalty (Y) in Ragey Von Von. The sig. value at 0.000 means that prediction of Corporate image (X_3) on customer loyalty (Y) in Ragey Von Von doing errors is 0%, thus the confidence of this prediction is below 95%. Therefore, H_0 is accepted and rejecting H_a .

Discussion

This research discover that there are some factors that influence of customer loyalty in Ragey Von Von restaurant. Based on the result of F-test there is a linear relationship in this multiple regression equation model, in other words all the independent variables influence the consumer preference simultaneously. Service quality, innovation and corporate image, are all factors that influence the customer loyalty in Ragey Von Von restaurant. The result of T-test shows that the independent variables such as service quality, innovation, and corporate image partially has very significant influence.

The result shows that service quality has significant influence to customer loyalty at ragey von von. According to the data, the importance of service quality has increased in recent years, and many researchers have shown the relationship between service quality and customer satisfaction. Perceived quality of service is a matter of knowing one's customers, managing one's employees to meet customer needs and wants, and delivering to the customer what was promised. In today's world of aggressive competition, restaurateurs who provide quality service and value have a great advantage over those that do not" (Ryu & Han, 2010). To better promote their restaurant ragey von von offer affordable prices in suitable with the taste of the Manado people, complete facilities and in good condition and cleanliness, comfort, and safety when visitors come.

Tepeci (1999) stated that it is important that the managers should decide on which innovations to implement. Innovation allows the restaurant to remain up-to-date and demonstrates attentiveness to the changes in customer style with the consideration of the customers' perceptions and attitudes. Innovation has significant influence to customer loyalty because with new innovation in restaurant likes new variant menu and have standard with a good quality and the discount to attract the interest of customer. The other multiple regression result showed that corporate image of ragey von von restaurant has significant influence to consumer loyalty. According to Wang (1990) the image of a restaurant affects the customer choice of one or more restaurants to patronize. People in Indonesia especially in Manado city does not want to buy a product that have a bad image whether on their food or restaurant itself because once they are get a bad certain issue it will probably impact the both performance, because people in Manado could easily influenced by the issue no matter it is accurate or not. When customers are satisfied, they generate word of mouth and it will lead to others to be interested and choose the image of restaurant. Corporate Image is an important instrument as it is the face and the personification of the company itself and seen how the image of restaurant of ragey von von is really important matter in this case because it really affect the customer loyalty.

The result shows that service quality, innovation, and corporate image has significant influence to customer loyalty. According Riecheld and Sasser (1990) believe that customer loyalty is heavily influenced by customers' satisfaction of services and pointed out that customer satisfaction is a crucial factor that would elevate customer loyalty. So the Ragey Von Von restaurant have to keep their good services with the new innovation and the image of restaurant is important to attract a new customers. The ultimate goal of these is to develop happy customers who will return to purchase again and persuade others to visit ragey von von restaurant.

Future research could be conducted for the combination for customers' satisfaction level of food and service quality and the image agreement level from the customers' point of view on customer loyalty at different restaurant categories. Differences may exist in the customers' behaviors towards other categories of restaurants. This will help restaurant managers to implant more effective strategies in order to expand customer loyalties.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

There are four constructive findings that can be concluded from the overall result in this research, which are listed as follow:

1. Service quality, innovation, and corporate image influence customer loyalty in Ragey Von Von restaurant simultaneously.
2. Innovation influence customer loyalty in Ragey Von Von restaurant partially.
3. Service quality influence customer loyalty in Ragey Von Von restaurant partially.
4. Corporate image influence customer loyalty in Ragey Von Von restaurant partially.

Recommendation

There are two practical recommendations that can be concluded from the overall result in this research, which are listed as follow:

1. The owner of Ragey Von Von restaurant must consider about the importance of service quality, innovation and corporate image, regarding with it in advanced.
2. The other hand, owner of Ragey Von Von restaurant must also evaluate other important factors that affect the the customer loyalty regarding with the continuity of restaurant business in the future.

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