# Effect of marketing mix and service quality on customer satisfaction and loyalty (A study on PT. Mutiara Cemerlang Utama Bali)

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**Abstract:** The COVID – 19 pandemic been made bad impact all tourism sector. Travels agents need to be adapted to pandemic condition to survive in this current situation. The purpose of this research is to test the influence of marketing mix, quality of service on customer satisfaction and loyalty. This study took samples on the research population customers of PT. Mutiara Cemerlang Utama Bali who buys domestic and international flight tickets, makes hotel room reservations, tour package, India pilgrimage tours, assistant to make passport and visa extension. This research leads to descriptive and verificative research called explanatory research. The data was collected by interviewing and disseminating questionnaires by purposive sampling method processed using Partial Least Square (PLS) analysis tool, the number of samples used by 120 samples. The results obtained in this study are that the marketing mix has a significant positive effect on customer satisfaction, the quality of service has a significant positive effect on customer satisfaction, but marketing mix and quality of service have a positive effect on customer loyalty. This is due to several factors that affect such as the price competition of travel agents. Customer satisfaction has a positive and significant effect on customer loyalty.

**Keywords:** marketing mix, quality of service, customer satisfaction, loyalty

## Introduction

The COVID-19 pandemic has forced people in the world to travel with various regulations. The new regulations for traveling during the pandemic period are constantly changing following the conditions in each country and airlines. This situation makes travel agent services not only sell products but also be updated with the current regulations.

Travel Agent competition is very tight affecting the development of new businesses in this field of services.  A number of Travel Agents can be seen from the statistics of Bali Provincial Tourism Office, which have reached  to 407 in 2018.  The more alternative products, prices and qualities from competitors make customers always look for the highest considered value of some products (Kotler et al., 2021). To be able to compete and grow in this service business, a Travel Agent must be able to provide better service and have more varieties than other existing agents. This pandemic period also requires travel agents to improve their services by providing an updat-ed applicable rule to maintain customer satisfaction with the services provided.

Marketing mix is the main factor that states the ability to compete a company. Marketing mix is a combination of 4 marketing techniques through products, price, place and promotion (Kartajaya et al., 2013). These four elements have an influence on each other that is expected to result in a decision that leads to the quality of service and customer satisfaction. Higher marketing mix will increase quality of service of a company that improves customer satisfaction (Amilia & Novianti, 2016; Budiyono et al., 2021; Fure, 2013; Subagiyo & Adlan, 2017).

The decision to improve quality of service is very important for a company to dominate the market and able to compete globally. Increasing competition in industry requires companies to pay attention to the expectations of customers with the aim of creating the perfect service or product to be applied for a long period of time (Kotler et al., 2021). So perfect service or products during this pandemic requires full knowledge of travel agents in ensuring that all flight regulations starting from departure, transit and destination countries have been fulfilled by customers to ensure travel comfort. Higher quality of service increases the level of customer satisfaction (Susanti & Jasmani, 2020; Szymanski & Henard, 2001).

Customer satisfaction is one of the success factors of a company in marketing the products or services, the highest level of customer satisfaction is reflected in the results expected by the company through customer surveys (Stauss & Seidel, 2019). The higher customer satisfaction is the greater chance of gaining company trust through customer loyalty. Customer satisfaction is considered as the main achievement for the company's survival in both the processing and service industries. Based on the results of the analysis, there is a positive relationship between the mar-keting mix and customer loyalty (Othman et al., 2019; Tauriana & Andhika, 2010).
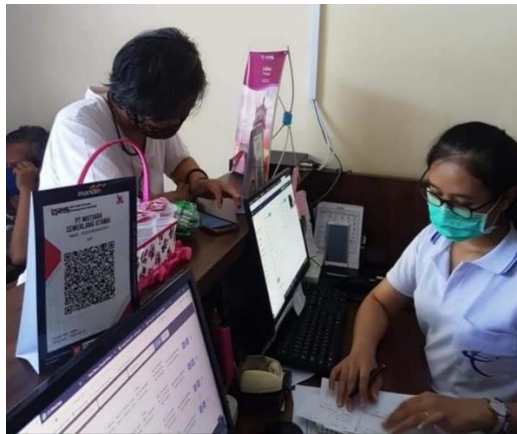


**Figure 1.** Costumer Handling at PT Mutiara Cemerlang Utama

PT. Mutiara Cemerlang Utama, known as Mutiara Cemerlang Tours is located in Abianbase, Mengwi, Badung, Bali which was founded in 2015, with 4 employees including business owners. This travel agent provides ticket sales services, domestic and international tour packages, study tour, tirta yatra to India, passport making, visa extension and hotel reservation. Employees are fresh graduates with limited English skills, with equipment that is classified as still very simple with 2 personal computer and 2 laptops. Employee training is provided directly by business owners by applying some work experience dedicated by business owners such as, providing fast service, responsibility, more flexible service time (09.00 – 21.00 WITA), and having a high empathy to customers.



**Figure 2.** PT. Mutiara Cemerlang Utama Location

Business locations in the areas that are classified far from tourism centers such as Kuta, Nusa Dua, Sanur and Ubud also affect to the number of customers served. Promotion is done through social media such as Facebook, Instagram and website, also with word-of-mouth introduction. The customers served are from both local, foreigners, and several corporations. Business owners who have a background work for an international airline in Bali, provide better opportunities because they already have loyal customers who have been served for an average of more than 10 years. The means of services is still conventional, thus customers still have to be served by staff rather than through digital flatform.

The marketing mix, quality of service, and customer satisfaction are very important for the future of Mutiara Cemerlang Tours. These three factors are the key to consistent success of the company's value growth. Information obtained from three factors is expected to provide benefits to the management of companies engaged in services to increase customer loyalty that directly increases the company's profit.

From the background presented above, this research was conducted to find out the influence of the marketing mix on the satisfaction of customers, the effect of service quality on the satisfaction of customers, the influence of the marketing mix to the loyalty of customer, the influence of service quality to the loyalty of customers and the influence of satisfaction of customers loyalty at Mutiara Cemerlang Tours.

## Methodology

This research based on quantitative approach. Technique of collection data and information are primary data and secondary data. Primary data is obtained through a survey by selecting samples from the population. The reason for choosing the survey technique because of the limitations of manpower, time, cost, and the characteristics of the respondents (Sugiyono, 2010). Secondary data is obtained through literature, previous research, articles and data from the internet

The object of research is the customers of Mutiara Cemerlang Tours. The sample in this study is 120 peoples. Sampling techniques using purposive sampling. This technique is tailored to research purposes. The criteria used in the sample selection are a) Customers who have purchased domestic and international flight tickets, b) aged 15 years and above, c) repeater custom-ers. Data analysis techniques used are descriptive statistics and Partial Least Square (PLS).

This study aims to identify variables from the marketing mix and to analyze the effect of service quality on customer satisfaction and loyalty. This research leads to descriptive and verification research which is called explanatory research. The research conceptual method can be seen in Figure 3.
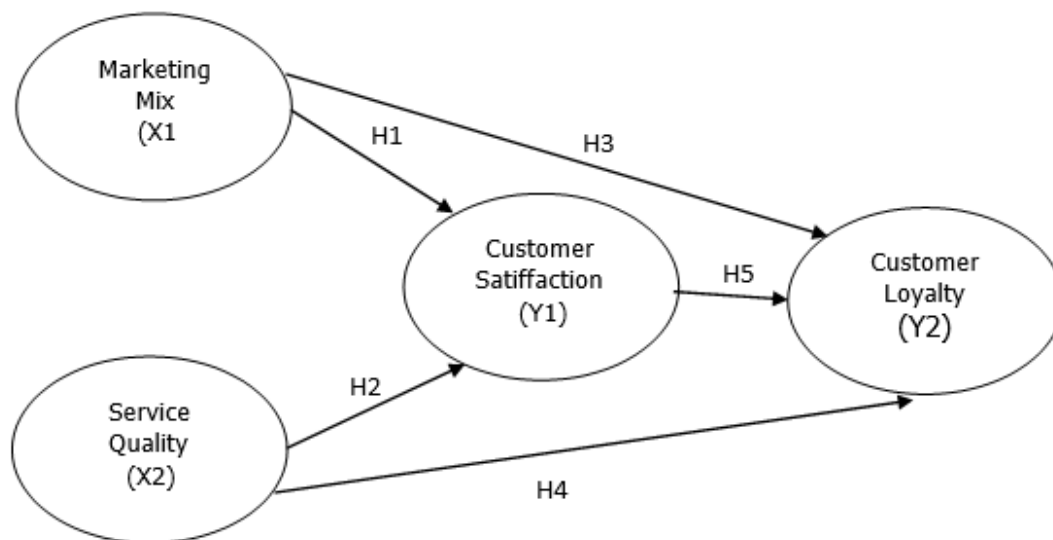


**Figure 3.** Research Conceptual Method

## Results and Discussions

### *Descriptive Statistic*

Descriptive statistics are methods used to describe the relationship between variables tested by collecting, processing, analyzing, and interpreting data in a statistical hypothesis test. Descriptive analysis used in the study to describe the characteristics of research respondents that can be seen from several research variables related to respondents' perception of the marketing mix, service quality, customers satisfaction and customers loyalty.

### *Partial Least Square (PLS) Analysis*

### *Measurement Model Evaluation (Outer Model)*

The purpose to use the outer model method to ensure that variables in the study meet the requirements of validity and reliability for construct indicators and indicator blocks, there are 3 stages of model evaluation measurement used in this study namely, Convergent Validity test, Discriminant Validity and Composite Reliability.

The convergent validity test was conducted by observing an outer loading value greater than the significance limit of 0.05 or a T-statistical value greater than 1.96 in this study as shown on Table 1. These results show that outer loading and T-statistics are greater than the measuring limit of significance. It was concluded that the data in this study qualified the test.

**Table 1.** Convergent Validity Test Results (Outer Loading)

| Variabel | Indicator | Outer Loading | T - statistic | Status |
|---|---|---|---|---|
| X1 | X1.1 | 0.856 | 25.87 | valid |
| | X1.2 | 0.808 | 20.818 | valid |
| | X1.3 | 0.844 | 25.871 | valid |
| | X1.4 | 0.8 | 19.827 | valid |
| | X1.5 | 0.857 | 23.659 | valid |
| | X1.6 | 0.858 | 27.141 | valid |
| | X1.7 | 0.858 | 25.16 | valid |
| X2 | X2.1 | 0.745 | 11.208 | valid |
| | X2.2 | 0.826 | 21.32 | valid |
| | X2.3 | 0.918 | 38.126 | valid |
| | X2.4 | 0.926 | 38.126 | valid |
| | X2.5 | 0.925 | 45.336 | valid |
| Y1 | Y1.1 | 0.901 | 29.956 | valid |
| | Y1.2 | 0.931 | 49.58 | valid |
| | Y1.3 | 0.913 | 30.268 | valid |
| | Y1.4 | 0.957 | 77.22 | valid |
| Y2 | Y2.1 | 0.774 | 16.525 | valid |
| | Y2.2 | 0.947 | 77.802 | valid |
| | Y2.3 | 0.899 | 41.278 | valid |
| | Y2.4 | 0.814 | 17.85 | valid |

The discriminant validity test was carried out by observing the Average Variance Extracted (AVE) which had a value greater than a significance value of 0.05. The results of the AVE could be seen on Table 2, that the four research variables starting from the marketing mix of 0.707, service quality of 0.759, customer satisfaction of 0.857 and customer loyalty of 0.741 can be concluded that the four variables in this study meet the test assumptions.

Table 3 shown the composite reability test, that was conducted by observing the composite value on each re-search variable has a value greater than the measuring limit of significance of 0.7 (>0.7). The results in this test showed that the marketing mix has a value of 0.944, the quality of service has a value of 0.94, customer satisfaction has a value of 0.96 and customer loyalty has a composite val-ue of 0.919 which represents a value greater than the measuring limit value. So it was concluded that the variables in this study met the assumptions of composite tests.

**Table 2.** Discriminant Validity Test Results

| Variabel | Average variance extracted (AVE) | Status |
|---|---|---|
| Mix | 0.707 | valid |
| Quality | 0.759 | valid |
| Satisfaction | 0.857 | valid |
| Loyality | 0.741 | valid |

**Table 3.** Composite Reliability Test Results

| Variabel | Composite Realibility |
|---|---|
| Mix | 0.944 |
| Quality | 0.94 |
| Satisfaction | 0.96 |
| Loyality | 0.919 |

## Goddess of fit Testing (Coefficient of Determination)

**Tabel 4.** Rated R2 Endogenous Variables

| Variabel Dependen | R-square |
|---|---|
| Mix | |
| Quality | |
| Satisfaction | 0.629 |
| Loyality | 0.403 |

$Q^2$ predictive-relevance value could be acquired by:
$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2) )$$
$$Q^2 = 1 - (1 - 0.629^2)(1 - 0.403^2)$$
$$Q^2 = 0.494$$

The goddess of fit value of 0.494 which means the variability of dependent variables can be explained by independent variables by 49.4% while the remaining 50.6% is explained by other variables that have not been found in this study model. The results of this evaluation prove that the structural model of this study shows a fairly good suitability.

### Hypotheses Test Results

The results of data analysis using PLS show that the coefficient of loading factor indicators on each variable in the model has a value above 0.5 which means that all indicators meet the test-ing criteria.

Figure 5.1 shows the first hypothesis states that marketing mix has a positive and signifi-cant effect on customer satisfaction, while the second hypothesis states that service quality has

a positive and significant effect on customer satisfaction is acceptable, the third hypothesis which states marketing mix has a positive and insignificant effect on acceptable loyalty, the forth hypothesis which states the quality of service has a positive and insignificant effect on acceptable loyalty, and the fifth hypothesis that states customer satisfaction has a positive and significant effect on customer loyalty.

**Table 5.** Hypothetical Test Results

| Variable Correlations | Original Sample Estimates | Mean of Subsamples | T-Statistic | Status |
|---|---|---|---|---|
| Mix → Satisfaction | 0.445 | 0.432 | 3.3 | Significant |
| quality → Satisfaction | 0.430 | 0.443 | 3.052 | Significant |
| Mix → Loyalty | 0.111 | 0.142 | 0.893 | Insignificant |
| Quality → Loyalty | 0.131 | 0.081 | 0.735 | Insignificant |
| Satisfaction → Loyalty | 0.447 | 0.474 | 2.83 | Significant |

## $H_1$: Marketing Mix has a positive and significant effect on customer satisfaction.

Hypothesis testing result with an approach with PLS structural equation model indicate a di-rect influence in coefficient of marketing mix with a value of 0.445 and t-statistics 3.3. Because t-statistics > t- Table (1.96) then the hypothesis states that the marketing mix has a significant di-rect effect on customer satisfaction of Mutiara Cemerlang Tours is acceptable.

The results of this study confirm the previous research conducted by (Elat et al., 2014). which concluded that the marketing mix of services simultaneously has an influence on customer satisfaction. Similarly, research conducted by (Kadhim et al., 2016) which stated that four elements of the marketing mix have a positive and significant effect on customer satisfaction.

## $H_2$: Service quality has a positive and significant effect on customer satisfaction.

Hypothesis testing in the Structural Equation Model of PLS approach resulted in a coefficient of path of direct influence of service quality on customer satisfaction with a value of 0.43 and t-statistics of 3.052. Because t- statistics > t-table (1.96), the hypothesis of service quality directly affects customer satisfaction in Mutiara Cemerlang Tours is acceptable.

The results of this study are supported by research conducted by (Siswanto et al., 2020) which states one's satisfaction can be seen from the level of customer acceptance obtained. Also research conducted by (Bawa et al., 2013; Eskildsen & Kristensen, 2008; Harianto, 2013; Lam et al., 2004) the results of these studies concluded that the quality of service has a significant influ-ence on customer satisfaction.

## $H_3$: Marketing Mix has no significant positive effect on loyalty.

Hypothesis testing with the Structural Equation Model of PLS approach resulted in coefficient of direct influence of marketing mix on customer loyalty with a value of 0.111 and t-statistic of 0.893. Because t-statistics < t-table (1.96), the marketing mix hypothesis has an indirect positive effect on customer loyalty to Mutiara Cemerlang Tours.

These results are not in line with previous research conducted by (Situmorang & Sutrisna, 2017), stating that the marketing mix and quality of service have a positive and significant influ-ence on cus-tomer loyalty. It is also justified by some successful customers interviewed that the price factor that is part of the marketing mix is the main reason that customers choose other travel agents.

## $H_4$: Service quality has no significant positive effect on loyalty

Hypothesis testing with the Structural Equation Model PLS approach resulted in a coefficient of direct influence of service quality on customer loyalty with a value of 0.131 and t-statistics of 0.735. Because t- statistics < t-table (1.96), the service quality hypothesis has an indirect positive effect on customer loyalty.

This result is not in line with research conducted by (Subagio & Saputra, 2012), at Garuda Indonesia service company which states that the quality of service is very influential on customer loyalty. The difference in this study is because there are other factors beyond the quality of services that affect such as the number of Travel Agents in Bali, thus causing very tight competition.

## $H_5$: Customer satisfaction has a significant positive effect on customer loyalty

Hypothesis testing with the Structural Equation Model of PLS approach resulted in a coefficient of path of direct influence of satisfaction on customer loyalty with a value of 0.447 and t-statistics of 2.83. Since t-statistics > t-table (1.96), hypothesis that express satisfaction have a positive effect on customer loyalty are acceptable.

Research conducted by Kurniawan, (Gultom et al., 2020) gives the opinion that customer satisfaction provides benefits to the company in the form of harmonious relationship between customers and the company, which further encourages consumers to make repurchases, and finally create customer loyalty to the company.

## Research Implication

The important implications of this research are evidenced by several previous research results related to the marketing mix, service quality, customer satisfaction and loyalty. The results of the analysis showed that the mix of marketing, quality of service, customer satisfaction and cus-tomer loyalty was well perceived. In addition, there are other findings that the marketing mix has no direct effect on loyalty as well as the quality of service. This is because there are other factors that affect such as price factors and intense competition between travel agents in Bali.

## Conclusions

Based on the results of the analysis and discussion that has been conducted in this study, it can be concluded that the marketing mix has a positive and significant effect on Mutiara Cemerlang Tours's customer satisfaction. Which means that by providing the four elements of the marketing mix well can improve customer satisfaction. The quality of service has a positive and significant effect on Mutiara Cemerlang Tours's customer satisfaction. Meaning that by increasing the quality of service provided will increase customer satisfaction. The marketing mix has a positive but insignificant effect on customer loyalty at Mutiara Cemerlang Tours, means there are other factors that affect customer loyalty such as price competition with other travel agents that can decrease customer loyalty. The quality of service has a positive but insignificant effect on the loyalty customers. At Mutiara Cemerlang Tours, meaning that even though customers have received the best quality of service, they are not necessarily loyal. So satisfaction becomes intervening between service quality so that customer loyalty increases. Customer satisfaction has a positive and significant effect on customer loyalty at Mutiara Cemerlang Tours which means that if customers get increased satisfaction then their loyalty will also increase.

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