THE EFFECT OF SERVICE QUALITY AND COMPANY COMMITMENT ON CUSTOMER LOYALTY THROUGH CUSTOMER SATISFACTION AS AN INTERVENING VARIABLE (CASE STUDY AT PT. KARYA SEMANGAT MANDIRI) IN MEDAN NORTH SUMATERA INDONESIA)

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Abstract

Chicken production in North Sumatra increased significantly from 2020 to 2022 which indicates that the business potential of broiler raising is promising. Broiler is known as a chicken which is able to produce high quality chicken in a short time which makes it a high ranking product in poultry raising. Partnership pattern between poultry raisers and companies is the main strategy in increasing productivity and the sustainability of broiler raising business. PT. Karya Usaha Mandiri as a holding company has developed a partnership with plasma broiler raisers to advance broiler raising business. However, there is dissatisfaction of plasma broiler raisers with the service quality of PT. Karya Pahlawan Mandiri, indicated by their complaints about the lateness of DOC supply and food, and irregular technicians' visits. The objective of the research is to analyze the influence of service quality and firm commitment on plasma broiler raisers' satisfaction and loyalty and to explore the correlation between customer satisfaction and loyalty in the context of this partnership. The research uses quantitative causality method which is aimed at analyzing the cause and effect correlation between service quality and the effect of the company's involvement in customer loyalty with customer satisfaction at PT. Independent Spirit Work. The research location is at the broiler raising place, Binjai, North Sumatra. The population is 322 clients of the company, of which 140 are used as samples, taken by using simple random sampling technique. Te data are gathered by using Likert Scale questionnaire and analyzed by using Partial Least Square (PLS) technique with SmartPLS version 3. software. The results of the research show that service quality does not have any significant influence on customer loyalty but has a positive and significant influence on customer satisfaction. Customer satisfaction significantly influences customer loyalty which indicates that good service will increase satisfaction and, in turn, it will increase loyalty. Service quality does not influence customer loyalty through customer satisfaction while firm commitment influences loyalty through customer satisfaction.

Keywords: Satisfaction, Commitment, Service Quality, Customer

INTRODUCTION

According to the North Sumatra Central Statistics Agency, in 2020 chicken meat production reached 153,757.92 (tons), in 2021 it reached 162,133.88 (tons), in 2022 it reached 193,126.42 (tons). This means it will increase in 2020 to 2023. North Sumatra broiler meat production in 2020-2022 was ranked second. These figures show that the number of broiler chickens raised and the amount of broiler chicken meat consumed have increased over the past few years. This is a fantastic possibility to grow into a successful business. Many plasma farmers adopt the broiler chicken partnership company that PT Karya Semangat Mandiri has started to build. Farmers who apply to work with PT Karya Semangat Mandiri to manage a chicken farm company, are seen from the beginning of the agreement formation procedure. Then, according to the agreement, plasma farmers already know the tasks given to them. Chickens are raised in modern cages with a closed system that prioritizes chicken health, biosecurity guidelines, and other guidelines to prevent DOC from being infected, etc. After being harvested, the company ensures that the DOC is transported using a special vehicle to ensure that its condition remains good during distribution or delivery. The author conducted observations of plasma farmers who are

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partners of PT Karya Semangat Mandiri and used pre-survey data to determine the factors that influence the level of satisfaction of plasma farmers with the company. Various problems that occur within the organization were found from the results of the pre-survey as follows: Exposure related to the quality of service of the company's technical staff, it can be seen that there are still respondents who give the option of no, so it can be concluded that there is still a lack of technical guidance from the partner company. The frequency of visits by technical staff to provide guidance or counseling is not sufficient. Exposure related to the company's commitment, it can be seen that there are still respondents who give the option of no, so it can be concluded that there is a lack of commitment given by the partner company through technical support.

There is a lot of competition in business. The fact that there are many companies operating in the same industry and targeting the same customers is evidence of this. For this reason, PT Karya Semangat Mandiri must be able to retain its customers and convince them that they are superior to their competitors. To retain plasma farmers in the partnership, PT Karya Semangat Mandiri must continue to win their loyalty. When partner companies provide high-quality services to satisfied plasma farmers, farmers will remain loyal to them, which will contribute to the sustainability of the partnership business. The study was conducted to examine the impact of service quality and company commitment on customer loyalty through customer satisfaction, based on several phenomena that have been discussed previously. Based on the background explanation above, the following problem formulation can be drawn:

1. Does service quality affect customer loyalty at PT Karya Semangat Mandiri?
2. Does service quality affect customer satisfaction of PT. Karya Semangat Mandiri on customer satisfaction?
3. Does the company's commitment affect consumer loyalty PT. Karya Semangat Mandiri towards consumer loyalty?
4. Does company commitment affect customer satisfaction?
5. Does customer satisfaction affect loyalty?
6. Does service quality affect consumer happiness and loyalty?
7. Does corporate commitment affect consumer happiness and loyalty?

LITERATURE REVIEW
2.1 Partnership Pattern

Chicken meat is the main product of broiler chicken farming because the ability to obtain meat from broiler chickens is very high. According to Mahardika et al. (2020), broiler chicken farmers usually apply core and plasma partnership patterns based on contracts. The purchase price of livestock facilities and the selling price of chicken production are determined in the contract. So the better the chicken production, the greater the income. if livestock production is high, the income of farmers can be high and vice versa. The broiler chicken business partnership pattern ultimately aims to secure and increase the income of farmers. This income guarantee is generated from the opportunity to plant and sell guaranteed crops, thereby reducing the risk of income uncertainty and market volatility for farmers. Expenditures to support the production process, such as chicks/DOC, animal feed, labor, electricity, vaccination, and medicines, are production variables that impact income (Cahyaningtyas et al. 2019). Philip Kotler (2021) defines marketing as a sophisticated social process that creates, communicates, and delivers value to consumers. Marketing is the process of making every effort to satisfy customer demands and desires by providing appropriate goods or services. Marketing strategies that can satisfy customers and foster loyalty are considered successful.

2.2 Concept of Service Quality

According to Abubakar (2018), the company's capacity to provide the highest quality services compared to its competitors is called service quality. Mukarom and Laksana (2018) stated that the standards or dimensions used by clients to assess the quality of service they receive. The following are relevant service quality indicators:

1. *Tangible*(physical evidence) namely focusing on appearance, equipment, personnel, and communication materials.
2. *Realizability* (reliability) the ability to perform promised services accurately, on time, and dependably.
3. *Responsiveness*(responsiveness) is the willingness to support customers through good and responsive service. This means the willingness to support customers through excellent and fast service.
4. *Empathy (*empathy) is the willingness to support customers through good and responsive service.
5. *Assurance*(assurance) which refers to the knowledge, familiarity, and trust of employees.

2.3 The Concept of Commitment

Commitment is a belief between parties that they want to maintain a sustainable relationship (Jiwa, 2018) and is considered an important element in maintaining good relationships that lead to long-term relationships. A mutually beneficial long-term partnership is the best way to gain customer loyalty (Setyaji & Trya Sartana 2018).

Busro (2018) stated that there are three elements, namely:

1. Indicators of affective commitment include:
   a. Strong commitment to and acceptance of the principles and goals of the organization.
   b. Commitment to the group.
   c. Readiness to make efforts for the benefit of the organization.
2. Indicators of continuous commitment (Continuance Commitment) include:
   a. Feeling of residual economic value with the organization.
   b. The obligation to remain in an organization for moral or ethical reasons.
3. Normative commitment indicators include:
   a. A moral or ethical obligation to remain in an organization.
   b. Willingness to do something for the benefit of the organization.

2.4 Customer Satisfaction Concept

According to Sunyoto (2019), one of the factors that influences a customer's decision to buy somewhere is their level of happiness. Because happy customers are more likely to make repeat purchases or refer new products to potential customers. Kotler et al. (2021) define customer satisfaction as a person's level of satisfaction or dissatisfaction after comparing the actual performance of a product or service with their expectations. When a company meets their demands, customers will be happy. Products that provide added value will make customers happier and increase the likelihood that they will use them for a long time.

Tjiptono (2020) stated that the following are signs of consumer satisfaction:

1. Conformity to expectations: Conformity of the product or service function obtained with the function expected by the customer.
2. Intention to return: The tendency of a customer to reuse the product or service.
3. Willingness to recommend: A customer's willingness to tell friends and family about a good or service.

2.5 Customer Loyalty Concept

Consumer behavior aspects are included in customer loyalty. Customer attitudes include their tendency to stay with a company and resist the temptation to go to a competitor, as well as their desire to promote the company and purchase goods or services from it. Repeat purchases of a good or service are behavioral components of customer loyalty. Desired behavior in relation to the goods or services offered by a business is represented by customer loyalty. Customer loyalty, as defined by customer psychology, is the favorable opinion that customers have of a business, their commitment to repurchase the goods or

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services, and their recommendation of the goods or services to others (Sinulingga & Sihotang 2021). Customer loyalty to a brand is called customer loyalty (Nalendra et al. 2018). recommend a brand. Another sign of customer loyalty is positive word of mouth. When customers receive substandard service or service that does not meet their expectations, they often become disloyal. Developing high-quality customer service and controlling the emotional reactions of clients are essential to fostering loyalty. According to Griffin (2020), loyal customers are people who:

1. Repeat purchases: Customers return to purchase the same brand of product or service.
2. Immunity to competitor appeal: Customers are not attracted to competitors' products or services.
3. Recommendation of a product or service brand to consumers: When customers enthusiastically recommend a product or service brand.

2.6 Research Hypothesis
H1: "Service Quality has a positive and significant effect on Customer Loyalty"
H2 : "Service Quality has a positive and significant effect on Customer Satisfaction"
H3 : "Customer Commitment has a positive and significant effect on Customer Loyalty"
H4 : "Customer Commitment has a positive and significant effect on Customer Satisfaction"
H5 : "Customer Satisfaction has a positive and significant effect on Customer Loyalty"
H6 : "Service Quality has a positive and significant effect on Customer Loyalty through Customer Satisfaction"
H7 : "Customer Commitment has a positive and significant effect on Customer Loyalty through Customer Satisfaction"

RESEARCH METHODS

This research is causal associative. According to Sugiyono (2021), a causal relationship is a relationship that causes. Causal studies determine dependent-independent relationships. This study examines how customer satisfaction at Karya Semangat Mandiri Company affects loyalty, service quality and commitment. In this case, "customers" refers to Karya Semangat Mandiri Company partners. This study has 322 partners. The Hair et al. (2020) formula is used to calculate the number of samples. The sample is calculated by multiplying the number of indicators by 10. This rule indicates that there will be n = number of indicators x 10 samples in this study. The indicators in this study number fourteen. This calculation produces the following number of samples: n = 10 x 14 = 140 respondents. A simple random sample selected through a lottery of 140 respondents was used in this study. Because the research population is homogeneous.

The research instrument was through distributing questionnaires to respondents. The questionnaire used was a closed questionnaire, and a Likert scale questionnaire with the following parameters was used to collect data:
Scale 1 for the answer option disagree (TS).
Scale 2 for the answer option disagree (KS)
Scale 3 for neutral answer choice (N).
Scale 4 for the answer option agree (S).
Scale 5 for the answer option strongly agree (SS).
Data analysis was performed using Partial Least Square (PLS) using SmartPLS software version 3. Practically, the SmartPLS data processing program assists in data processing. Currently, the SmartPLS program is widely regarded as the most superior tool for evaluating data from social and commercial research to see causal relationships. According to Anwar et al. (2023), SmartPLS is a powerful analytical approach that does not require data to fit a particular measurement scale or a large sample size.

RESULTS AND DISCUSSION

4.1 Respondent Characteristics

The 140 respondents in this study varied in terms of gender, education, agricultural experience, and occupation. Sixty-six, or 54.29%, of the 140 respondents were male, while the remaining sixty-four, or 45.71%, were female. This indicates that men still have a dominant position in this relationship despite the large participation of women. Most respondents (above 20-40 years) fall into one of three age groups: 30-40 years (49 people, or 35.00%), followed by 20-30 years (45 people, or 32.14%), and 40-50 years (42 people, or 30.00%). Only a few respondents were under 20 years old (0.71%) or over 50 years old (2.14%). These data indicate that the majority of plasma farmers who partner with this company are in the productive age range, with little variation outside of that range.

Table 4.1 Respondent Characteristics Based on Gender

Gender	Frequency	Percentage
Man	76	54.29%
Woman	64	45.71%
Total	**140**	**100.00%**

Most respondents - 70 people, or 50.00% - had only completed high school education. A small number of respondents - 68, or 48.57% - had obtained a bachelor's degree. Only two respondents, or 1.43%, had less than a high school education. These results indicate that the majority of plasma farmers have a high school or college education background, which may indicate a higher level of education in this respondent population.

Table 4.2 Respondent Characteristics Based on Education Level

Level of education	Frequency	Percentage
Elementary School Equivalent	0	0.00%
Junior High School or Equivalent	2	1.43%
High School Equivalent	70	50.00%
S1 Equivalent	68	48.57%
Total	**140**	**100.00%**

The majority of respondents have livestock farming experience between 5 to 10 years, with the same percentage, namely 68 people or 48.57% for each time span. Only a few respondents have experience of less than 5 years (48.57%) or more than 10 years (3 people or 2.14%). These data indicate that the majority of plasma farmers have sufficient experience in livestock farming, although there is variation in the length of experience among respondents.

Table 4.3 Respondent Characteristics Based on Length of Livestock Experience

Livestock Experience	Frequency	Percentage
≤ 5 years	68	48.57%
5-10 years	68	48.57%
10 – 15 years	3	2.14%
≥ 15 years	1	0.71%
Total	**140**	**100.00%**

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The majority of respondents identified themselves as farmers, with a total of 74 people or 52.86%, followed by entrepreneurs with 65 people or 46.43%. Only a few respondents had other jobs such as civil servants/military/police (0.71%), while none reported employment as employees or other jobs.

Table 4.4 Respondent Characteristics Based on Length of Main Job

Main Job	Frequency	Percentage
Farmer	74	52.86%
Businessman	65	46.43%
Employee	0	0.00%
Civil Servants/TNI/Polri	1	0.71%
Other……	0	0.00%
Total	**140**	**100.00%**

4.2 Outer Model

Reliability and validation tests are known as Outer Models. The purpose of the validity test is to determine whether the variables can be used in further research or not.

4.2.1 Convergent Validity

Table 4.5 Outer Loading

Variables	Indicator	*Outer Loading*	Information
Quality of Service	X1	0.874	Valid Convergence
	X2	0.9	Valid Convergence
	X3	0.783	Valid Convergence
	X4	0.864	Valid Convergence
	X5	0.858	Valid Convergence
Commitment	X6	0.799	Valid Convergence
	X7	0.913	Valid Convergence
	X8	0.903	Valid Convergence
Customer satisfaction	X9	0.906	Valid Convergence
	X10	0.905	Valid Convergence
	X11	0.904	Valid Convergence
Customer Loyalty	X12	0.877	Valid Convergence
	X13	0.936	Valid Convergence
	X14	0.851	Valid Convergence

Source: SmartPLS 3.0 Output, 2024

The table above shows that all construct measurements of the five research variables are convergently valid because each Outer Loading in the measurement of each research variable is above 0.5.

4.2.2 Discriminant Validity

Finding out whether an indicator of a variable will have more Outer Loading on the variable it is made of compared to other variables is known as discriminant validity testing. Cross Loading is shown in table 4.6 below.

Table 4.6 Cross Loading

Indicator	Customer satisfaction	Commitment	Quality of Service	Customer Loyalty
X6	0.562	**0.799**	0.608	0.418
X7	0.688	**0.913**	0.751	0.627
X8	0.698	**0.903**	0.818	0.72
X1	0.644	0.711	**0.874**	0.601
X2	0.651	0.782	**0.9**	0.567
X3	0.484	0.749	**0.783**	0.488
X4	0.562	0.743	**0.864**	0.556
X5	0.667	0.787	**0.858**	0.654
X9	**0.906**	0.715	0.66	0.622
X10	**0.905**	0.631	0.585	0.677
X11	**0.904**	0.686	0.678	0.612
X12	0.619	0.655	0.626	**0.877**
X13	0.634	0.647	0.611	**0.936**
X14	0.623	0.532	0.556	**0.851**

Source: SmartPLS 3.0 Output, 2024

Based on the cross-loading findings in Table 4.6, the correlation value of the variables with their indicators is higher compared to other correlation values. This states that the discriminant validity of each variable is good.

4.2.3 Composite Reliability and Cronbach's Alpha

Composite Reliability and Cronbach's alpha of the variable measuring indicators are used to measure the reliability test of the variables. Table 4.7 below displays the results of the Cronbach's alpha test and composite reliability of SmartPLS.

Table 4.7 Composite Reliability and Cronbach's Alpha

Variables	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Customer satisfaction	0.889	0.889	0.931	0.819
Commitment	0.845	0.872	0.906	0.762
Quality of Service	0.909	0.916	0.932	0.734
Customer Loyalty	0.866	0.869	0.918	0.789

Source: SmartPLS 3.0 Output, 2024

If Cronbach's alpha is greater than 0.60 and Composite Reliability is greater than 0.70, then a variable is reliable. Each variable in the SmartPLS Output data above has a composite reliability value of 0.70 and Cronbach's alpha of more than 0.60. The AVE value of each variable is greater than 0.5, indicating good dependency.

4.3 Inner Model Testing

This Inner Model Test aims to test the relationship between variables used in the study (Fahmi, 2021). The Inner Model evaluation is carried out with 2 tests, namely the Coefficient of Determination

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(R2), and Cross-validated Redundancy (Q2).

4.3.1 Coefficient of Determination (R2)

Knowing how well the independent variables can explain or influence the dependent variable is the purpose of assessing the coefficient of determination. The more accurately the independent factors explain the dependent variable, the closer the coefficient of determination is to 1. The following table displays the R2 values for each dependent variable, including the mediating variable.

Table 4.8 Coefficient of Determination (R2) Value

	R square	R squareAdjusted
Customer satisfaction	0.582	0.576
Customer Loyalty	0.569	0.559

Source: SmartPLS 3.0 Output, 2024

Table 4.8 shows that the commitment and service quality factors on customer satisfaction have an adjusted R Squared value of 0.576. This shows that 42.4% of customer satisfaction is determined by criteria other than service quality and commitment, which reaches 57.6% of the total. The Customer Loyalty variable has an Adjusted R Squared value of 0.559. This indicates that, of the total, 44.1% of the elements drive customer loyalty, with service quality, commitment, and customer satisfaction contributing the remaining 55.9%.

4.3.2 Cross-validated Redundancy (Q2)

The independent variable has predictive relevance to the dependent variable if the Q square value is greater than zero. If the Q square value is less than zero, then the independent variable cannot predict the dependent variable. The Q square values for the dependent variables are shown in the table below:

Table 4.9 Cross-validated Redundancy Values (Q2)

| Variables	SSO	SSE	Q² (=1-SSE/SSO)
Customer satisfaction	420	227,719	0.458
Commitment	420	420	
Quality of Service	700	700	
Customer Loyalty	420	238,357	0.432

Source: SmartPLS 3.0 Output, 2024

Table 4.9 shows that the Q square value of 0.458 > 0, "indicates that the commitment and service quality variables have high predictive relevance to the customer satisfaction variable or can predict changes in it". Service Quality, Commitment, and Customer Satisfaction have high predictive relevance to the Customer Loyalty variable, or can predict changes or variations in it.

4.4 Inner Model

The path coefficient values for independent variables are used in the PLS evaluation model in the Inner Model or structural model, and then evaluated with significance depending on the p-value of the Inner Model. The structural model research can be seen in the following figure:
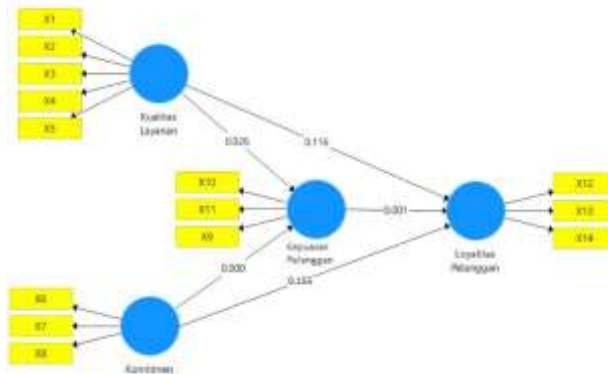
Figure 4.1 SmartPLS Bootstrapping Results Display

The Path Coefficient table in the SmartPLS Output below shows the t-statistic values between the independent and dependent variables, which can be used to determine the relevance of the model in testing the structural model:

Table 4.10 Path Coefficients

Hypothesis	Variable Relationship	Original Sample (O)	T Statistics (|O/STDEV|)	P Values	Information
H1	Service Quality -> Customer Loyalty	0.215	1,576	0.116	Rejected
H2	Service Quality -> Customer Satisfaction	0.269	2.238	0.026	Accepted
H3	Commitment -> Customer Loyalty	0.220	1,424	0.155	Rejected
H4	Commitment -> Customer Satisfaction	0.523	5,083	0.000	Accepted
H5	Customer Satisfaction -> Customer Loyalty	0.386	3.215	0.001	Accepted
H6	Service Quality -> Customer Satisfaction -> Customer Loyalty	0.104	1,733	0.084	Rejected
H7	Commitment -> Customer Satisfaction -> Customer Loyalty	0.202	2,783	0.006	Accepted

Source: SmartPLS 3.0 Output, 2024

The service quality variable has a p-value of $0.111 > 0.05$ and a t-statistic of $1.576 <$ t-table 1.98.

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Based on the research hypothesis test, Service Quality does not significantly increase Consumer Loyalty. This shows that Consumer Loyalty and Perception of Service Quality are not related. The variable for service quality has a p-value of 0.026 <0.05 and a t-statistic of 2.238> t-table 1.98. This study found that service quality has a positive and significant effect on customer satisfaction. The positive relationship between the two variables indicates that increased customer satisfaction leads to higher service quality ratings. Customer satisfaction will also decrease if respondents consider the service provided to be poor. The commitment variable has a p-value of 0.155 > 0.05 and a t-statistic of 1.424 < t-table 1.98. The research hypothesis test did not find a significant relationship between corporate commitment and customer loyalty. High and low customer loyalty did not affect how respondents viewed corporate commitment.

The service quality variable has a t-statistic value of 5.083 above the t-table of 1.98 and a p-value of 0.00 <0.05. This study shows that commitment increases customer happiness. Thus, customer satisfaction increases along with respondents' assessment of the company's commitment. The positive correlation between these variables supports this. When respondents perceive low company commitment, customer satisfaction will decrease. The service quality variable has a significant t-statistic value of 3.215 exceeding the t-table of 1.98, with a p-value of 0.001 <0.05. The research hypothesis test shows that customer satisfaction positively and significantly affects customer loyalty. The positive relationship between loyalty and customer satisfaction indicates that respondents feel higher customer satisfaction. Respondents said that low customer satisfaction causes low customer loyalty.

The service quality variable has a t-value of 1.733 < t table 1.98, with a p-value of 0.084 > 0.05. The research hypothesis test shows that service quality does not increase customer loyalty. Even if respondents rate service quality very high, consumer satisfaction alone will not increase customer loyalty. Service Quality has a P Value of 0.006 > 0.05 and a t-value of 2.783 > t table 1.98. The research hypothesis test shows that corporate commitment, which leads to consumer happiness, has a positive and significant impact on consumer loyalty. Consumer loyalty through satisfaction grows with the perception of corporate commitment from respondents. Conversely, customer satisfaction measures customer loyalty, and the lower the respondent's perception of corporate commitment, the lower the customer loyalty.

CONCLUSION
5.1 Conclusion
Based on the research objectives, the following conclusions can be drawn from this research.
1. There is no visible increase in customer loyalty as a result of PT Karya Semangat Mandiri's service quality.
2. The level of customer satisfaction is significantly positively influenced by the quality of service of PT. Karya Semangat Mandiri.
3. The Mandiri Spirit work does not have a significant positive impact on customer loyalty.
4. Customer satisfaction is significantly enhanced by PT Karya Semangat Mandiri's commitment.
5. Customer loyalty is significantly positively influenced by the high level of customer satisfaction of PT Karya Semangat Mandiri.
6. Through customer satisfaction, PT. Karya Semangat Mandiri significantly increases customer loyalty.
7. The company's commitment to PT. Karya Semangat Mandiri does not significantly increase customer satisfaction, which in turn does not increase customer loyalty.

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