When Service Quality Has a Greater Influence on Customer Satisfaction than Promotion: Empirical Study on Galvalum Companies

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ABSTRACT: In the contemporary retail landscape, understanding the intricate relationships between promotional methods, service quality, and customer satisfaction is imperative for businesses striving to navigate a competitive environment. This research, conducted at Galvalum Store, contributes to the broader discourse on retail management and marketing by investigating the specific dynamics at play within this unique retail setting. The empirical analysis reveals that, at the Galvalum Store, promotion does not exhibit a statistically significant effect on customer satisfaction. Conversely, the study establishes a robust and statistically significant relationship between service quality and customer satisfaction at the Galvalum Store. Furthermore, the simultaneous effects of promotion and service quality on customer satisfaction are analyzed, revealing that both variables collectively impact customer satisfaction. The coefficient of determination, while indicating a moderate predictive power of 63.2%, suggests that there may be additional variables influencing customer satisfaction that warrant further exploration. The study recommends incorporating qualitative methods, such as customer surveys or interviews, to provide contextual insights and enrich the quantitative findings. In conclusion, this research contributes to the understanding of customer satisfaction dynamics at the Galvalum Store, shedding light on the specificities of promotional and service-related influences. The findings offer actionable insights for businesses seeking to optimize their retail strategies and enhance customer satisfaction in a dynamic and competitive market environment.

KEYWORDS: Promotion, Service Quality, Customer Satisfaction

I. INTRODUCTION

The dynamics of customer behavior in the modern retail environment have emerged as key areas of research for companies looking to prosper in a more cutthroat environment. Gaining a grasp of the complex relationship between promotional methods, service quality, and customer satisfaction becomes essential for firms looking to increase their market share and strengthen customer loyalty (Chattopadhyay, 2019). Retailers must carefully implement promotional programs and maximize service quality in order to stay relevant and satisfy customers in an environment where consumer tastes are diverse and expectations are increasing. This inquiry, which is inextricably linked to the larger conversation about retail management and marketing, has the capacity to clarify the specific dynamics at play at Galvalum Store as well as advance our collective knowledge of how companies can strategically use promotions and high-quality customer service to generate higher levels of customer satisfaction.

One of the main tenets of modern retail management is the complex dynamic of promotion's impact on customer satisfaction. Promotion is a strategic tactic that influences consumer attitudes and perceptions of products and services in addition to increasing brand exposure. Efficiently conceived and implemented marketing initiatives possess the capability to elicit feelings of importance, immediacy, and enthusiasm in consumers (Shahab et al., 2021), therefore impacting their buying choices and general contentment. Promotions that provide discounts, rewards, or special deals can draw in new business while fostering a sense of loyalty among current clients. In addition, marketing initiatives help to improve the whole consumer experience by fostering a favorable relationship with the brand that lasts past the moment of sale.

A key axis in retail management is the impact of service quality on customer satisfaction, which captures the spirit of customer-centric company strategies. The whole client experience—from pre-purchase discussions to post-purchase

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assistance—may be improved by providing excellent service. When companies put a high priority on providing outstanding customer service, their consumers are more likely to see the value in their interactions, which builds loyalty and trust (Nadeem et al., 2020). In addition to meeting consumers' urgent requirements, prompt and attentive service fosters the development of enduring partnerships. Positive client views are mostly shaped by consistent service quality, which includes tangibles like empathy, certainty, responsiveness, and consistency. A well-implemented service plan may contribute to a feeling of contentment that goes beyond the transactional interaction itself.

This study aims to establish the empirical relationships between service quality and promotional activities at the Galvalum Store and the resulting impact of these factors on the overall customer satisfaction measure. This study aims to add to the body of knowledge by conducting a thorough empirical investigation and providing insights that can help managers make better decisions and improve retailers' strategic positioning in a constantly changing market. By doing this, the research aims to advance the body of knowledge supporting efficient and customer-focused business practices by offering a framework for promoting resilience and sustainable growth in the retail industry.

II. THEORITICAL REVIEW

Promotion is a company's activities to improve the quality of its products and persuade/seduce consumers to buy its products (Ginting, 2012:10). According to Kismono (2001: 374), companies need to set broader promotional goals.

Service Quality According to Kotler (2000:25) service quality is the totality of the characteristics of goods and services that demonstrate their ability to satisfy customer needs, both obvious and hidden. According to Rangkuti (2006:29) the dimensions of service quality consist of physical evidence, reliability, responsiveness, assurance and empathy.

Customer Satisfaction Satisfaction is a person's feeling of pleasure or disappointment that comes from a comparison between his impression of the performance (or results) of a product and his expectations (Kotler, 2000).

Customer satisfaction is defined as a post-consumption evaluation where the chosen alternative at least meets or exceeds expectations. (Engel, al., 1990). Hypothesis:

H1: It is suspected that promotions have a positive and significant effect on customer satisfaction at the Galvalum Store.

H2: It is suspected that service quality has a positive and significant effect on customer satisfaction at the Galvalum Store.

H3: It is suspected that promotion and service quality have a positive and significant effect on customer satisfaction at the Galvalum Store.

The variables in this research, namely promotion and service quality, if their influence is connected and identified, it can be assumed that there is a simultaneous or partial or individual relationship between promotion and service quality that can influence customer satisfaction. So the framework of this research can be described as in the following picture:

Image: Framework for Thinking
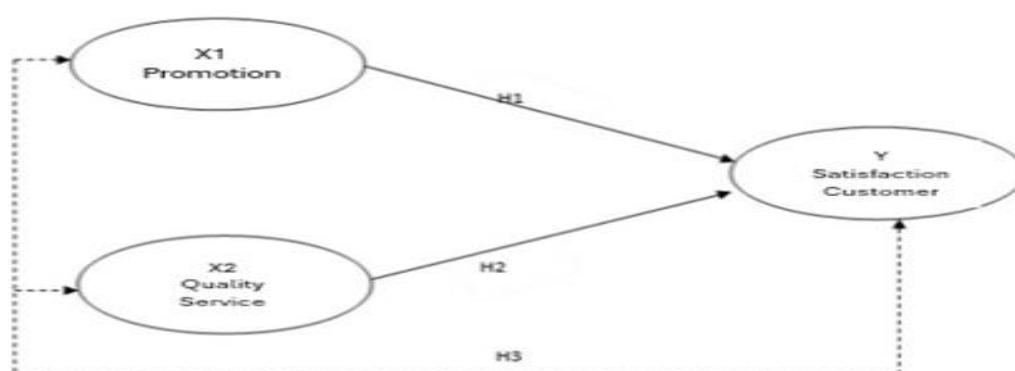
III. RESEARCH METHODS

This research is a quantitative research using survey methods. Survey research is defined as "the collection of information from a sample of individuals through their responses to questions". This type of research allows a variety of methods to recruit participants, collect data, and utilize various instrumentation methods. Because they are often used to describe and explore human behavior, surveys are often used in social and psychological research (Ponto, 2015). The study used primary data obtained directly from the research subjects.

The research was based on being held between October 2023 and November 2023 which took place at the Galvalum Store. The subjects of the study consisted of customers at the Galvalum Store. Assuming that the average monthly customers are 60,

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the sample size will be determined using the Slovin formula (Adam, 2020), where *n* represents the number of samples, *N* represents the number of population, and *e* represents the degree of significance. Through the equation, the resulting minimum number of samples is 52.

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

Instrument Feasibility Test

Instrument feasibility testing in the form of survey questionnaires consists of validity tests and reliability tests. Validity describes how well the data collected covers the actual area of investigation. Pearson's product-moment correlation is used to evaluate the construct validity of each item against the total score. Test correlations are considered "excellent" when Pearson correlation values ≥ 0.75, "good" when they range between 0.5 and 0.7, "sufficient" when they range between 0.25 and 0.50, and "weak or no association" when less than 0.25 (Ramdan, 2018).

Reliability is defined as the degree to which measurements of a phenomenon give stable and consistent results. Reliability testing is important because it represents consistency across all parts of the research instrument. The most commonly used measure of internal consistency is the Cronbach Alpha coefficient with a value of at least 0.70 (Taherdoost, 2016).

IV. DATA ANALYSIS TECHNIQUE

Regression analysis is a statistical technique to estimate relationships between variables that have cause-and-effect relationships. Regression models with one dependent variable and more than one independent variable are called multilinear regression. The main focus of multiple linear regression is to analyze and formulate equations of relationships between dependent variables and various independent variables (Uyanık & Güler, 2013). The dependent variable in this study is customer satisfaction (Y), while the independent variable includes promotion (X1) and service quality (X2). In testing the hypothesis that has been formulated, the multiple linear regression uses the following equation.

$$Y = a + \beta 1.X1 + \beta 2.X2 + e$$

Simultaneous testing is a search for the effect of an independent variable on value variation in the dependent variable. Simultaneous testing is conducted to analyze whether the independent variables (promotion and service quality) simultaneously affect the dependent variable (customer satisfaction) (Kumar & Mehta, 2012). With a value of $\alpha = 0.05$, a test criterion is proposed where the model is said to have a significant effect and the independent variable affects each other if the significance value < 0.05. If the significance value > 0.05, then the independent variable simultaneously does not affect the dependent variable.

The coefficient of determination (R^2) is introduced to measure the degree or proportion of the relationship between the independent variable to the dependent variable in a linear regression problem (Zhang, 2017). Testing the coefficient of determination was carried out to determine the size of the presentation of facilities and promotions to the decision to stay. The R^2 value is in the range of $0 \leq R^2 \leq 1$. If the value of R^2 is close to 0, then all independent variables have a weak influence on the dependent variable. However, if the presentation value of R^2 is close to 1, then all independent variables have a strong influence on the dependent variable.

Regression coefficient analysis is used in calculating the effect of each independent variable on the dependent variable. Partial testing analyzed against each free variable does not necessarily give the same results. If the significant probability t < 0.05 then the independent variable individually has a significant effect on the dependent variable. However, if the significant probability t > 0.05 then the independent variable individually has no significant effect on the dependent variable.

V. RESULTS AND DISCUSSION

Table 1. Respondent's Perception Regarding Promotion

Promotion (X1)		Score					Dimension Mean
	Dimension	1	2	3	4	5	
	Information about Galvalum Shop through social media or the internet.	0	1	16	39	4	3.77
	Information about Galvalum Store through word-of-mouth recommendations or print media.	0	0	5	45	10	4.08
	Galvalum Store always maintains good	0	0	0	39	21	4.35

		1	2	3	4	5	
	relations with customers in conducting promotions.						
	Galvalum Store imposes discounts or discounts on buyers.	0	0	3	42	15	4.20
	Galvalum Store conducts promotions or marketing regularly (consistently).	0	0	14	31	15	4.02
	Galvalum Shop gives gifts when I buy the product.	0	2	20	29	9	3.75
	Galvalum Store often offers the latest or good quality items to me.	0	0	0	29	31	4.52
Variable Mean							4.10

From Table 1, it can be seen that the 7th dimension of promotion has the highest score while the 1st and 6th dimensions' scores are quite low. Galvalum Store has the newest products of good quality in the store, which may indicate good inventory management. However, Galvalum is lacking in terms of social media presence or branding and promotion in the form of gifts. This is an important evaluation for Galvalum, as gifts may increase customer relationship management (Eggert et al., 2019) while social media branding may bring various benefits and increased profit (Andzulis et al., 2012).

Table 2. Respondent's Perception Regarding Service Quality

Service Quality (X2)							
No	Dimension	Score					Dimension Mean
		1	2	3	4	5	
	The shopkeeper (employee) provides good and friendly service.	0	0	0	39	21	4.35
	The shopkeeper (employee) can understand well the product or service I am looking for.	0	0	2	40	18	4.27
	Shopkeepers (employees) serve swiftly and on time.	0	0	5	36	19	4.23
	Service at Galvalum Shop makes I feel safe and comfortable.	0	0	2	36	22	4.33
	The condition of the store is neatly arranged.	0	0	18	28	14	3.93
	The shopkeeper (employee) gives a greeting to the customer.	0	0	3	28	29	4.43
Variable Mean							4.26

From Table 2, it can be seen that the 6th dimension of service quality has the highest score while the 5th dimension's score is quite low. Galvalum has applied the operational standard to greet the customers when they came. However, Galvalum Store may benefit from a neat cleaning and rearrangement. Penelitian di Semarang menemukan bahwa peningkatan kualitas pelayanan dalam bentuk merawat kebersihan toko dapat meningkatkan penjualan dan keputusan pembelian konsumen (Sitepu & Daryanto Seno, 2021).

Table 3. Respondent's Perception Regarding Customer Satisfaction

Customer Satisfaction (Y)							
No	Dimension	Score					Dimension Mean
		1	2	3	4	5	
1	Customers are satisfied with the price paid for Galvalum Store products.	0	0	3	50	7	4.07
2	Customers will make future repurchases at the Galvalum Store.	0	0	1	46	13	4.20
3	Customers will recommend family or colleagues to shop at the Galvalum Store.	0	0	2	43	15	4.22
4	Fulfillment of customer expectations, desires, and expectations when making purchases at the Galvalum Store.	0	1	4	41	14	4.13

5	Customers can get the sought-after item in a short time.	0	0	16	31	13	3.95
6	Customers are satisfied with stock availability at the Galvalum Store.	0	1	15	24	20	4.05
7	Customers find it easy and satisfied with access to the Galvalum Shop.	0	0	7	26	27	4.33
8	Customers are satisfied with the quality of Galvalum Shop products.	0	0	2	28	30	4.47
9	Customers overall are satisfied with Galvalum Shop.	0	0	2	18	40	4.63
Variable Mean							

From Table 3, it can be seen that the 9th dimension of customer satisfaction has the highest score while the 5th dimension's score is quite low. The overall customer satisfaction at the Galvalum Store has a good review. However, customers face the challenge of finding their sought-after items in a short time. This may happen due to the required neat rearrangement in the dimension of service quality. Good labeling and legend for the shelves or products are recommended.

Table 4. Multiple Linear Regression

	Unstandardized Coefficient		Standardized Coefficient	t	Sig.
Model 1	**B**	**Std. Error**	**Beta**		
Constant	17.737	5.734		3.093	0.003
Promotion (X1)	0.349	0.181	0.239	1.926	0.059
Service Quality (X2)	0.404	0.166	0.302	2.427	0.018

Dependent Variable: Customer Satisfaction

Table 4 represents the relationship between promotion and service quality with customer satisfaction based on multiple linear regression analysis, which is obtained from questionnaire data with a total of 60 respondents and at a confidence level of 5%. From the results of linear regression also obtained an equation that can estimate the value of customer satisfaction.

$$Y = 17.737 + 0.349 \times X1 + 0.404 \times X2$$

The above equation can be explained as follows. When the value of both independent variables is "0", then customer satisfaction will have a value of 17.737. Every 1-point increase in promotion (X1) will increase the value of customer satisfaction (Y) by 0.349. Every 1-point increase in service quality (X2) will increase the customer satisfaction (Y) value by 0.404.

Table 4 shows that promotion has no significant effect on customer satisfaction ($p > 0.05$). The absence of statistical significance in the association between customer satisfaction and promotion might be attributed to many variables. It's possible that Galvalum Store's promotional efforts, either in terms of type or frequency, failed to properly align with the tastes or expectations of the target market. Furthermore, the apparent effect of promotions on consumer satisfaction may have been impacted by outside variables such as market dynamics, the competitive environment, or prevailing economic conditions (Gonda et al., 2020). These findings highlight the intricacy of the dynamics around consumer satisfaction in the retail industry, despite the fact that they may at first seem illogical. It is critical to understand that consumer satisfaction is a multifaceted result that is impacted by a range of interrelated elements, such as the entire shopping experience, pricing, and service quality. Therefore, a closer look at the complex interactions between these variables and the possible moderating effects of other factors within the retail setting is warranted given the non-significant association between promotion and customer satisfaction that has been discovered.

On the other hand, Table 4 shows that service quality has a significant effect on customer satisfaction ($p < 0.05$). The observed significance indicates that customers' total satisfaction is strongly influenced by positive experiences in this area, and they place a large value on the quality of service they receive at the Galvalum Store. This is consistent with well-established theories of consumer behavior, which highlight the role that service-related elements have in influencing client perceptions, loyalty, and goodwill (Uzir et al., 2021). These results suggest that investments and efforts aimed at improving service quality at the Galvalum Store will probably pay off in the form of increased customer satisfaction. Reliability, assurance, responsiveness, empathy, and tangibles are some examples of service quality components that could require extra care in order to improve the entire client experience (Pakurár et al., 2019). Given the significant influence that service quality has on customer satisfaction,

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companies may benefit from ongoing efforts to enhance customer engagement programs, employee training, and service-related procedures. Furthermore, the recognition of service quality as a crucial factor in determining customer satisfaction highlights the possibility of distinguishing oneself from competitors and gaining a competitive edge by concentrating on providing outstanding service experiences.

Table 5. ANOVA Result

Model		Sum of Squares	dF	Mean Square	F	Sig.
1	Regression	146.813	2	73.406	6.620	0.003
	Residual	632.037	57	11.088		
	Total	778.850	59			

Dependent Variable: Customer Satisfaction

Predictors: (Constant), Service Quality, Promotion

The simultaneous effects of variables promotion and service quality on customer satisfaction are also analyzed and presented in Table 5. Based on these results, it can be concluded that both independent variables simultaneously affect the value of customer satisfaction as evidenced by $p < 0.05$. It can also be defined that all variables have a synergistic effect on customer satisfaction at the Galvalum Store. This result is similar to other studies that have found that promotion and service quality simultaneously affect customer satisfaction at the Galvalum Store (Santosa & Mashyuni, 2021).

Table 6. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	0.811	0.658	0.632	3.330

Predictors: (Constant), Promotion (X1), Service Quality (X2)

The coefficient of determination describes how accurately independent variables can estimate the value of the dependent variable. The coefficient of determination test in this study is presented in Table 6, which explains that promotion and service quality can estimate the value of customer satisfaction by 63.2%. Another explanation is that both independent variables together affect the customer satisfaction value by 63.2%. This value is relatively low compared to another study that examines similar variables, which is 86.6% (Ingelyn, 2020). This finding indicates that there are other variables that may be related to customer satisfaction at the Galvalum Store, which should be explored further.

VI. CONCLUSION

The analysis finds that promotion does not affect customer satisfaction at the Galvalum Store, while service quality significantly does. Both promotion and service quality simultaneously affect customer satisfaction. Even though both independent variables may predict a 63.2% value of customer satisfaction, many possible variables need to be explored. To improve or complement this study design, qualitative information obtained from customer surveys or interviews may give insightful background information to enhance the quantitative results and present a more complete picture of the elements influencing consumer satisfaction in the particular retail environment under study.

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APPENDIX:

INTERVIEW GUIDE

YOUR BUSINESS NETWORK DEPENDS ON YOUR BUSINESS ANALYSIS ABILITY

Date :

Location   :

Time   :

Main / key informant (Owner ……….)

A. Identity informant tree

- Name
- Address
- Age
- Work
- Last education

B. Interview list

First part includes Internal Function Analysis Management on Functions Business

1. Marketing

2. Finance / Accounting

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3. Operational

4. Human Resources

Second part consists from External Analysis questions (using the Porter's Five Forces Model approach)

1. Threat New Arrivals
2. Rivals of a kind
3. Strength Bid Supplier
4. Strength Bid Buyer
5. Product Substitution / Complementary

Third part consists from Operational Flow Scheme questions

1. Market Information
2. Need Buyer
3. Farmer
4. collectors
5. Small Traders
6. Quality Request Buyer
7. Yield Grain Prices
8. Save Warehouse
9. Send to Buyer