

Strengthening Bumdes through Customer Satisfaction and Loyalty as the Defense of the Bumdes Business in Indonesia Post-Covid-19

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Abstract

This study aims to determine the direct effect of product quality and service quality variables on customer satisfaction which is moderated by customer loyalty as well as a source of internal strength for the Mekar Sari Village Business Unit in running its business, another goal that is expected from this research is the Mekar Sari Village Community Enterprise as a company owned by the village community, especially the managers. Bumdes Mekar Sari that product quality, service quality, customer satisfaction, and customer loyalty are important factors in marketing and become a benchmark for determining the success of a refill drinking water depot business. This research includes quantitative descriptive research, the sample in this study is a loyal customer of Bumdes Mekar Sari Selat Besar Village which has been a member for 1 year as many as 130 customers, the determination of the sample in this study applied purposive sampling. Collecting data in this study using primary data (questionnaire) which contains questions regarding the indicators of product quality, service quality, customer satisfaction, and customer loyalty variables. To solve the problems studied, data analysis techniques used path analysis with SPSS and AMOS applications. From the results of research and hypothesis testing, it was found that product quality has a direct effect on customer satisfaction, service quality has a direct effect on customer satisfaction, and customer satisfaction has a direct effect on customer loyalty. Product quality has an indirect effect on customer loyalty through customer satisfaction. Service quality has an indirect effect on customer loyalty through customer satisfaction.

Keywords

bumdes; service quality; product quality; customer satisfaction; customer loyalty



I. Introduction

The COVID-19 pandemic has provided valuable lessons for the product and service business world, many companies are overwhelmed with this situation, even though it has been a year since the peak of the covid-19 outbreak had devastated the activities of all businesses so that many companies were abandoned by their customers to switch to other products (Harahap et al., 2020). The Covid-19 pandemic caused everyone to behave beyond normal limits as usual (Sihombing, 2020). Covid-19 is not the real source of the problem in this paper, but due to the outbreak, no one can avoid it or even avoid it, on several occasions many companies have shifted their business strategies in aggressive ways with online media (Abdul Rashid et al., 2020). The world health agency (WHO) has also announced that the corona virus, also called COVID-19, is a global threat worldwide (Ningrum, 2020).

This is the basis for the management of the Mekar Sari Bumdes in Selat Besar Village to think about carrying out an empirical study, the Mekar Sari Bumdes is one of the Village

Owned Enterprises (Bumdes) which is run independently by the village community, as a source of village income (Tomisa & Syafitri, 2020). Since COVID-19 hit Indonesia in early 2020, almost all aspects of life have been affected, including the world of small and large-scale businesses experiencing bankruptcy.

One of the businesses that have experienced a decline in customers due to COVID-19 to date is the water depot business owned by the Mekar Sari Bumdes which is located in Selat Besar Village, Panai Hulu District, Labuhanbatu Regency. The presence of the Mekar Sari Bumdes business which is engaged in the field of water depots should aim to help the surrounding community who have difficulty obtaining clean water suitable for consumption so that it has an impact on public health because water is managed with sophisticated equipment to produce clean water.

The support given by the residents of Selat Besar Village in establishing a village-owned business called Bumdes Mekar Sari to the community independently provides business opportunities for rural communities in the Water Depot business to produce water suitable for consumption that can be drunk as water refills for household needs. The tendency of people to buy refilled drinking water will continue to increase their income if they can maintain service quality (Citra Kunia putri dan trisna insan Noor, 2019). The water depot business increases household income, if it is associated with the Mekar Sari Bumdes, the water depot business provides the village's income (Namira et al., 2017).

II. Review of Literatures

The existence of various literature that supports the thinking of this paper regarding the greatness of Bumdes in its implementation can motivate the Bumdes management who are in charge and responsible for the success of the business. The success of the Mekar Sari Bumdes until now is still able to serve the various needs of the people outside the village, meaning that the existence of the Mekar Sari Bumdes is not known in the village, but also to villages that can provide business development opportunities. The main strength of a small, medium and micro-business in a service type company is service. The quality of service provided by business managers in running a business is the key to maintaining relationships with customers, in addition to satisfaction and loyalty (William et al., 2016).

In addition to a service, the quality of the product of a water depot business or business needs to be considered by the owners or managers of similar businesses. Although service is the main thing perceived by customers, without product quality that supports all these things, it will be in vain. Bumdes Mekar Sari in meeting the need for refilling drinking water guarantees risks that can endanger health by paying attention to the hygiene and safety of the equipment used in production (Kassa et al., 2017). This has always been the demand of the Mekar Sari Bumdes managers to maintain the quality process of their hygienic products. Therefore, the problems faced by Bumdes Mekar Sari are closely related to customer satisfaction to the level of customer loyalty. Repeated purchases is a form of customer loyalty (Cahyani et al., 2021) and satisfaction will increase engagement (Zufrie et al., 2021 ; Dewi et al., 2021). Since its establishment in 2017, Bumdes Mekar Sari has several regular customers almost 1000 heads of families outside other villages. A large number of customers remains a strong basis for the Mekar Sari Bumdes management to develop into a business unit that can support the lives of local communities and increase village income.

This study aims to determine the direct effect of product quality and service quality variables on customer satisfaction moderated by customer loyalty which can be a source of internal strength for the Mekar Sari Village Government in running a business. Another goal

of what is expected from this research is Bumdes Mekar Sari as a company owned by rural communities, especially the administrators of Bumdes Mekar Sari that product quality, service quality, customer satisfaction, and customer loyalty can be used as benchmarks for determining the success or success of a company or service (drinking water depot). Where if the customer is satisfied then the customer can become a promotional media for free or free of charge. To face competition, the existence of the depot and its development is greatly influenced in terms of services and products to provide satisfaction to every customer.

Explained that the quality of service for any business is very important because it discusses the main things in service, namely reliability, responsiveness, competence, access, and security. If it is concluded that service quality is the provision of services in the form of real activities from the company to its customers before and after the transaction (Octabriyantiningtyas & Suryani, 2019).

The existence of quality water depots as refills drinking water products is experiencing development dynamics as the future needs of the community include quality and safety for consumption. Although the products offered are cheap. The conclusion of water depot product quality is simply related to the production process that is safe and suitable for consumption (Apriliana et al., 2014).

Customer satisfaction is very important in business, keeping one customer is more meaningful than looking for 3 potential customers. The definition of customer satisfaction, in this case, is identical to the expectations received by customers for a product or service. Satisfaction is related to the attitude of service providers to emotional reactions and customer expectations (Zurnawati et al., 2019). Strongly reflected that satisfaction has a broad meaning and different aspects in its implementation because satisfaction is closely related to the achievement of customer loyalty for-profit and non-profit companies. Customer satisfaction was very important to enhance customer loyalty.

III. Research Methods

This research is quantitative, the population in this research is customer satisfaction in BUMDES Mekar Sari Selat Besar Village. In collecting this data, a sample using an accidental sampling technique means that the sampling is done on customers at BUMDES Mekar Sari. The questionnaires were collected as many as 103 questionnaires. Therefore, the sample of this study was 130 people (Dachi, 2020). In this study, there are 4 research variables, namely customer satisfaction, product quality, service quality, and customer loyalty. The measurement scale uses a Likert scale, namely (1: Strongly Disagree, 2: Disagree, 3: Disagree, 4: Agree, 5: Strongly Agree). The collected data is processed using SPSS and Amos software. As an initial stage before testing the hypothesis, the instrument test is first carried out, the results of the test of this research instrument can be seen in Table 1 below:

Table 1. Instrument Test Results

No.	Variables and Indicators	Corrected Item – Total Correlation		Cronbach Alpha	
A.	Product Quality (X_1)				
1	Attractive design	0.611	Valid	0.823	Reliabel
2	Halal tested	0.764	Valid		
3	In line with expectations	0.681	Valid		
B.	Quality of Service (X_2)				
1	Dress modestly	0.416	Valid	0.865	Reliabel
2	Sterile place	0.877	Valid		
3	Be sensitive to customers	0.804	Valid		
4	Running SOPs	0.825	Valid		
C.	Customer Satisfaction (Y)				
1	Make a raffle	0.396	Valid	0.801	Reliabel
2	Good hospitality	0.656	Valid		
3	Quality is guaranteed	0.754	Valid		
4	Fast service	0.640	Valid		
5	Employee friendliness	0.608	Valid		
6	Cleanliness	0.358	Valid		
D.	Loyalty (Z)				
1	Very easy to consume	0.490	Valid	0.781	Reliabel
2	Shuttle service	0.323	Valid		
3	Affordable prices	0.600	Valid		
4	Recommend	0.582	Valid		
5	Skillful employees	0.493	Valid		
6	Necessary products	0.747	Valid		

Source: Processed Data, 2021

Measurement of the validity of this instrument is done by correlation and is said to be valid if it has a value greater than 0.30. From Table 1. That all variable indicators have a validity value above 0.30 so that it is declared valid as in the study (Social et al., n.d.). This is by the results of the reliability test, which shows that all variables have a large enough Cronbach alpha, which is above 0.60(Haryanto, 2013)if the Cronbach alpha value is sufficient then 0.60 is declared reliable.

A good statistical model must fulfill several normality tests, heteroscedasticity tests, and multicollinearity tests. A good model must meet the assumption of data normality, it can be seen:

Table 2. Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		130
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	3.44146528
Most Extreme Differences	Absolute	.068
	Positive	.068

	Negative	-.055
Test Statistic		.068
Asymp. Sig. (2-tailed)		.200 ^{c,d}
a. Test distribution is Normal.		
b. Calculated from data.		

Source: Processed Data, 2021

From the results of table 2. Above, it can be seen that the significant value of Asymp. Sig (2-tailed) is $0.200 > 0.05$, which means it is greater than the value determined according to the research (Haryanto, 2013). Thus the basis for making the right decision on the Kolmogorov-Smirnov normality test can be concluded that the data in this study are normally distributed and meet the regression model. A model is said to be good if one variable with other variables is not known to be multicollinear, more clearly it can be seen below:

Table 3. Multicollinearity Test

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Quality of Product	.615	1.626
	Service Quality	.559	1.788
	Customer Loyalty	.653	1.532

a. Dependent Variable: Customer Satisfaction

Source: Processed Data, 2021

Based on Table 3. It can be seen that the Tolerance value for the Product Quality variable is $0.615 > 0.10$, Service quality is $0.559 > 0.10$, and Customer Loyalty is $0.653 > 0.10$, Meanwhile, the VIF value for the Product Quality variable is $1.626 < 10.00$, Service Quality $1.788 < 10.00$, and Customer Loyalty $1.532 < 10.00$ so that this data model meets or is free from multilinearity. This classical assumption test emphasizes seeing the distribution of data on the graph generated by the scatter plot, more details can be seen:

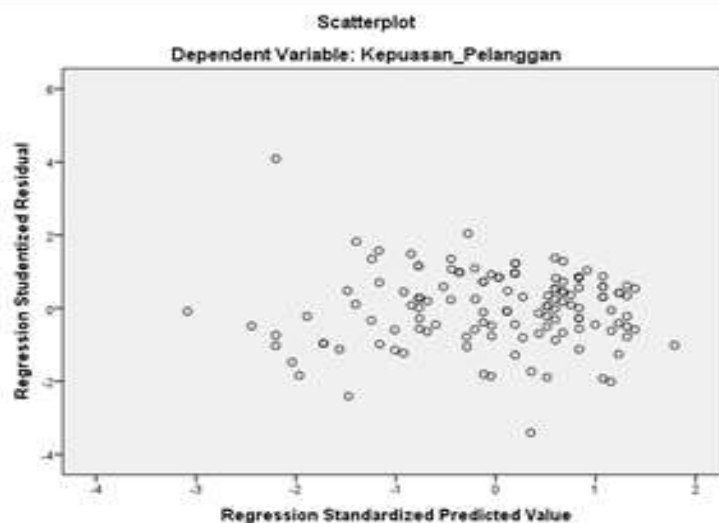


Figure 1. Scatter Plot
Source: Processed Data, 2021

From Figure 2 it is clear that the distribution of data in the form of dots does not form a certain pattern and the data spreads both above and below the number 0 on the Y-axis so that it meets the heteroscedasticity model.

IV. Discussion

Hypothesis Testing Results

Hypothesis testing in path analysis is carried out to estimate the relationship between variables. This study has five hypothetical paths, path analysis is an extension of regression analysis to estimate the relationship between variables that have been previously determined based on theory. The results of hypothesis testing in this study can be seen in the following table:

Table 4. Regression Weights

	Estimate	S.E.	C.R.	P	Label
Customer_Satisfaction <--- Product_Quality	,295	,132	2,240	,025	par_1
Customer_Satisfaction <--- Quality_Service	,903	,111	8,129	***	par_2
Customer_Loyalty <--- Product_Quality	,258	,115	2,241	,025	par_3
Customer_Loyalty <--- Service_Quality	,238	,117	2,037	,042	par_4
Customer_Loyalty <--- Customer_Satisfaction	,244	,075	3,242	,001	par_5

The results of hypothesis testing can be explained as follows:

1. The first hypothesis test is that product quality has a positive and significant effect on customer satisfaction. The results of this study indicate that the calculated t value (C.R) is $2.240 > 1.96$ and the P-value is $0.031 < 0.25$. In testing the first hypothesis, it can be seen that the relationship between product quality has a positive and significant effect on customer satisfaction, so prioritize customer satisfaction. Based on previous research, product quality is very variable which greatly influences customer satisfaction, the results of this study support (Bakator, 2019). Where in the study found that product quality affects customer satisfaction. So, it is appropriate that the Mekar Sari Bumdes whose business is engaged in refilling water depots can take advantage of opportunities by focusing on maintaining the quality of refilled water products so that customers are always comfortable and safe when consuming them. Product quality does not only lie in output but also prioritizes quality in the input and process so that the quality of the intended product from downstream to upstream is equally important.
2. The second hypothesis test is that service quality has a positive and significant effect on customer satisfaction. The results of this study indicate that the t-count value (C.R) is $8.129 > 1.96$ and the P-value is $0.000 < 0.05$. Testing the second hypothesis can be seen that the quality of service has a positive and significant effect on customer satisfaction. This means that the quality of service plays an important role in terms of customer satisfaction. With good service, customer satisfaction will increase. Based on previous research, descriptive analysis on the service quality variable, the response in this study gave a positive and high-value statement to the customer satisfaction variable. The results of this study support (Hamid, 2017) wherein this study and this study both found that service quality affected customer satisfaction. In any type of business and its form, every business cannot be separated from the services received by customers, even though the type of business belongs to a group, service is an important part of attracting the attention of customers. Mekar Sari Bumdes with limited human resources must be able to equip

- every human resource to better ensure the smooth running of the business so that in the end the customer feels a service from the business activity.
3. The third hypothesis test is that product quality has a positive and significant effect on customer loyalty. The results of this study indicate that the value of t count (C.R) is $2.241 > 1.96$ and the P-value is $0.025 < 0.05$. Product quality testing has a positive and significant effect on customer loyalty. This means that product quality is very significant for customer loyalty. Customers who receive products with good performance, then thus he will get what is expected of the product. In this study, the product in BUMDES (mineral water) has a fairly good product quality with customer needs (Pongoh, 2013). Mekar Sari Bumdes in addition to producing refilled water also produces derivative products in the form of a cup of water. Another purpose of this derivative product is to provide the fulfillment of cup-shaped mineral water needs. The higher the quality of a product, the customer will not only feel satisfied but feel at home to consume it for a long time.
 4. The fourth hypothesis test is that service quality has a positive and significant effect on customer loyalty. The results of this study indicate that the t-count value (C.R) is $2.037 > 1.96$ and the P-value is $0.042 < 0.05$. Testing of service quality has a positive and significant effect on customer loyalty, this supports research by with quality service, consumers will feel a sense of loyalty to the company (Pongoh, 2013). The results of the study show that service quality affects service loyalty. The ultimate goal of a business is not only to make a profit, but the right business concept in today's modern era of digitalization to maintain customer satisfaction can ensure the continuity of the business, especially with satisfaction that will lead to unlimited loyalty from a customer who is reluctant to move.
 5. The fifth hypothesis test is that customer satisfaction has a positive and significant effect on customer loyalty. The results of this study indicate that the calculated t value (C.R) is $3.242 > 1.96$ and the P-value is $0.001 < 0.05$. Testing customer quality has a positive and significant effect on customer loyalty. This means that if the customer relationship is good, then customer loyalty to the product will be better. With customer satisfaction, the customer will show a positive influence on BUMDES products. It can be said that customer satisfaction has a positive and significant effect on customer loyalty, increasingly supporting many theories and literature that conduct similar research that customer satisfaction will have a positive effect on companies (Ali, 2019), especially Bumdes Mekar Sari if they can manage customer satisfaction as a business strategy appropriately. All positive things from a business strategy will provide an opportunity to be loyal to the products they consume.

V. Conclusion

Based on the results of research and discussion that has been described in the previous section, it can be concluded that service quality and product quality have a significant impact on customer loyalty. Service quality and product quality indirectly have an impact on customer loyalty, while customer satisfaction has an impact on customer loyalty. Based on research conducted at the Village Bumdes Selat Besar as a business actor must be able to provide opportunities for employees to act and make innovations to products and service quality and there will be a sense of loyalty to the products being marketed. The results of this study indicate that customer satisfaction can mediate the effect of customer satisfaction on product quality and can have a positive and significant effect. To achieve that goal, the company must have employees who have innovative thinking. With this, the author recommends further increase customer satisfaction with employees so that employees can provide new innovations for more advanced companies.

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