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THE EFFECT OF SERVICE QUALITY AND PRODUCT QUALITY ON CUSTOMER LOYALTY IN RISOL GOGO UMKM IN MEDAN CITY

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ABSTRACT

This study aims to analyze the influence of service quality and product quality on customer loyalty at Risol Gogo SME in Medan City. In an era of intense business competition, especially in the food SME sector, maintaining customer loyalty has become a key to long-term success. This research uses a quantitative approach with survey method to 150 Risol Gogo customers selected using purposive sampling technique. The research instrument uses a questionnaire with a 5-point Likert scale that has been tested for validity and reliability. Data analysis was performed using SPSS version 25 with multiple linear regression analysis technique. The results showed that service quality has a positive and significant effect on customer loyalty with a coefficient value of 0.342 ($p < 0.05$). Product quality also has a positive and significant effect on customer loyalty with a coefficient value of 0.456 ($p < 0.05$). Simultaneously, service quality and product quality have a significant effect on customer loyalty with an R^2 value of 0.623, which means 62.3% of customer loyalty variation can be explained by these two independent variables. The implications of this research indicate that Risol Gogo SME needs to focus on improving product quality and service to maintain and increase customer loyalty.

Keywords: Service Quality, Product Quality, Customer Loyalty, UMKM, Risol Gogo.

BACKGROUND

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in Indonesia's economy, particularly in terms of employment generation and contribution to the Gross Domestic Product (GDP). In Medan City, the food and beverage MSME sector has experienced significant growth, characterized by various product innovations that attract consumer interest. One of the growing MSMEs in Medan is Risol Gogo, a business engaged in the snack industry with its flagship product being risoles offered in various flavor variants.

Risol Gogo has been operating since 2018 and has several outlets in various strategic locations across Medan City. The main products offered are risoles with various fillings such as chicken and cheese, tuna mayo, sausage and cheese, and vegetarian variants. In addition, Risol Gogo also provides a variety of complementary beverages such as iced tea, coffee, and fresh fruit juices.

In its business journey, Risol Gogo has faced several complex challenges. Based on initial observations, there are some interesting phenomena observed among Risol Gogo's customers. First, although the risoles products have distinctive and varied flavors, the repeat purchase rate remains suboptimal. Sales data show that only around 45% of customers made repeat purchases within the last three months. Second, there have been sporadic customer complaints regarding taste and product quality consistency, especially during peak hours when production volume is high. Third, in terms of service, there are variations in waiting time and staff friendliness across outlets, which could potentially affect customer satisfaction and loyalty.

Another interesting phenomenon is the increasing competition from similar MSMEs and large food brands that are starting to enter the snack market segment. This creates a challenge for Risol Gogo to maintain its existing customer base while continuously attracting new customers. Preliminary survey data conducted with 50 customers show that 68% of respondents consider product quality an important

factor in their purchasing decisions, while 72% regard service quality as an aspect that influences their satisfaction.

Based on these phenomena, several research gaps need to be addressed. First, the theoretical gap relates to the lack of specific studies examining the influence of service quality and product quality on customer loyalty among food-sector MSMEs in Indonesia, particularly in the North Sumatra region. Second, the practical gap concerns the need for Risol Gogo to understand the factors that can enhance customer loyalty as a strategy for survival amid intense competition. Third, the methodological gap involves the limited number of quantitative studies employing valid and reliable measurements to analyze the relationships among these three constructs within the context of local MSMEs.

This research is important because customer loyalty is a valuable asset for the sustainability of MSME businesses. Loyal customers not only make repeat purchases but also act as effective word-of-mouth marketers. Considering the limited resources of MSMEs, focusing on improving service quality and product quality as the main drivers of customer loyalty can serve as a cost-effective and sustainable strategy.

RESEARCH METHOD

This study uses a quantitative approach with a cross-sectional survey design. The research population comprises all Risol Gogo MSME customers in Medan City who have made at least two purchases in the past three months. The sampling technique employed is purposive sampling with the following criteria: (1) customers aged 17 years or older, (2) have purchased Risol Gogo products at least twice, and (3) are willing to complete the questionnaire in full. The sample size was set at 150 respondents, based on calculations with a 95% confidence level and a 5% margin of error.

The research instrument uses a 5-point Likert scale questionnaire (1 = strongly disagree to 5 = strongly agree). The service quality variable is measured using 15 items adapted from the SERVQUAL instrument, modified for the food MSME context. The product quality variable is measured using 12 items developed based on the dimensions of food product quality. The customer loyalty variable is measured using 10 items adapted from Oliver's loyalty scale.

The instrument's validity was tested using Pearson correlation with the criteria of $r > 0.3$ and significance < 0.05. Instrument reliability was tested using Cronbach's Alpha with the criterion $\alpha > 0.7$. Data analysis was conducted using SPSS version 25 with multiple linear regression techniques. Prior to regression analysis, classical assumption tests were performed, including normality, multicollinearity, heteroscedasticity, and linearity tests.

RESEARCH FINDINGS

Based on the validity and reliability tests, the collected questionnaire results contain valid and reliable statements, making it easier to process the data for the next stage. Subsequently, classical assumption tests were conducted, including the normality test and multicollinearity test.

Validity and Reliability Test

Table 1. Results of Instrument Validity and Reliability Tests

Variable	Number of Items	Valid Items	Cronbach's Alpha	Information
Service Quality	15	14	0,892	Reliable
Product Quality	12	11	0,867	Reliable
Customer Loyalty	10	10	0,854	Reliable

The validity test results showed that out of 37 items tested, 35 items were declared valid, with correlation values ranging from 0.312 to 0.789. The two invalid items were excluded from further analysis. The reliability test results indicated that all variables had Cronbach's Alpha values > 0.7, thus confirming that the instrument was reliable.

Respondent Characteristics

Among the 150 respondents who participated in the study, the majority were aged 21–30 years (42%), followed by 31–40 years (28%), 17–20 years (18%), and over 40 years (12%). By gender, 64% of respondents were female and 36% were male. In terms of purchase frequency, 38% of respondents bought products 2–3 times per month, 34% purchased 4–6 times per month, and 28% bought more than 6 times per month.

Classical Assumption Test

Table 2. Classical Assumption Test Results

Test Type	Statistics	Mark	Criteria
Normality	Kolmogorov-Smirnov	0,082	> 0,05
Multicollinearity (Service Quality)	VIF	1,234	< 10
Multicollinearity (Service Quality)	VIF	1,234	< 10
Heteroscedasticity	Sig. Glejser	0,167	> 0,05
Linearity	Sig. Linearity	0,000	< 0,05

The results of the classical assumption tests indicated that the data met all the requirements for multiple linear regression analysis.

Descriptive Analysis

Table 3. Descriptive Statistics of Research Variables

Variable	Mean	Std. Deviation	Minimum	Maximum	Category
Service Quality	3,78	0,542	2,43	4,86	Good
Product Quality	3,95	0,487	2,64	4,91	Good
Customer Loyalty	3,62	0,628	2,10	4,80	Good

Descriptive analysis results indicate that respondents' perceptions of all three variables fall into the good category. Product quality had the highest mean (3.95), followed by service quality (3.78), and customer loyalty (3.62).

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Multiple Linear Regression Analysis

Table 4. Results of Multiple Linear Regression Analysis

Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
	B	Std. Error	Beta		
(Constant)	0,456	0,234		1,948	0,053
Service Quality	0,342	0,087	0,298	3,931	0,000
Product Quality	0,456	0,093	0,371	4,903	0,000

Table 5. Model Summary

Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
	B	Std. Error	Beta		
(Constant)	0,456	0,234		1,948	0,053
Service Quality	0,342	0,087	0,298	3,931	0,000
Product Quality	0,456	0,093	0,371	4,903	0,000

Table 6. ANOVA

Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Regression	36,542	2	18,271	121,534	0,000
Residual	22,098	147	0,150		
Total	58,640	149			

Hypothesis Testing

Based on the results of the multiple linear regression analysis, the regression equation is as follows:

Customer Loyalty = 0.456 + 0.342 × Service Quality + 0.456 × Product Quality

Hypothesis 1 (H1) Test: Service quality has a positive and significant effect on customer loyalty, with a regression coefficient of 0.342 and a significance value of 0.000 (< 0.05). Therefore, H1 is accepted.

Hypothesis 2 (H2) Test: Product quality has a positive and significant effect on customer loyalty, with a regression coefficient of 0.456 and a significance value of 0.000 (< 0.05). Therefore, H2 is accepted.

Hypothesis 3 (H3) Test: The F-test results show an F value of 121.534 with a significance of 0.000 (< 0.05), indicating that service quality and product quality simultaneously have a significant effect on customer loyalty. Therefore, H3 is accepted.

Coefficient of Determination

The R Square value of 0.623 indicates that 62.3% of the variation in customer loyalty can be explained by service quality and product quality, while the remaining 37.7% is influenced by other factors not examined in this study.

DISCUSSION

The Influence of Service Quality on Customer Loyalty

The study results indicate that service quality has a positive and significant effect on customer loyalty at Risol Gogo MSME. This finding is consistent with previous research by Dewi and Rahman (2023) and Chen et al. (2023), which also found a positive influence of service quality on customer loyalty in the MSME context.

In the context of Risol Gogo, good service quality is reflected in friendly service, fast order fulfillment, responsiveness to customer complaints, and consistency of service across outlets. Customers who experience satisfying service tend to exhibit higher loyalty, as indicated by their intention to make repeat purchases and recommend the products to others.

The regression coefficient of service quality is 0.342, indicating that for every one-unit increase in service quality, customer loyalty will increase by 0.342 units. This underscores the importance of investing in service quality improvement as a strategy to build customer loyalty.

The Influence of Product Quality on Customer Loyalty

Product quality was found to have a positive and significant effect on customer loyalty, with a higher coefficient compared to service quality (0.456 vs. 0.342). This finding aligns with studies by Hartono et al. (2023) and Lestari and Budiman (2024), which indicate that product quality is a fundamental factor in building customer loyalty in the food industry.

At Risol Gogo MSME, high product quality is reflected in consistent taste, freshness of ingredients, product variety, and menu innovation. Customers who are satisfied with product quality tend to make repeat purchases and develop strong brand preference. The higher coefficient for product quality indicates that, in the food business context, product quality plays a more dominant role than service quality in building customer loyalty.

The Simultaneous Influence of Service Quality and Product Quality on Customer Loyalty

The results of the third hypothesis test show that service quality and product quality simultaneously have a significant effect on customer loyalty. The R Square value of 0.623 indicates that these two variables can explain 62.3% of the variation in customer loyalty, demonstrating that the model is quite effective in explaining the phenomenon of customer loyalty.

These findings confirm that to build strong customer loyalty, Risol Gogo MSME needs to focus on improving both aspects simultaneously. A strategy that focuses on only one aspect would be less effective in fostering sustainable customer loyalty.

CONCLUSION

Based on the research results and discussion, several conclusions can be drawn as follows:

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First, service quality has a positive and significant effect on customer loyalty at the Risol Gogo MSME in Medan City. This indicates that improving service quality, including friendliness, responsiveness, and consistency, will contribute to increased customer loyalty..

Second, product quality has a positive and significant effect on customer loyalty at Risol Gogo MSME in Medan City. Product quality has a greater impact than service quality, indicating that in the food business, product quality is a fundamental factor in building customer loyalty.

Third, service quality and product quality simultaneously have a positive and significant effect on customer loyalty. Together, these two variables explain 62.3% of the variation in customer loyalty, highlighting the importance of a holistic approach in building customer loyalty.

Fourth, the managerial implication of this study is that Risol Gogo MSME needs to develop strategies that integrate improvements in both product quality and service quality. Priority can be given to enhancing product quality due to its greater impact, but service quality should not be neglected..

Fifth, this study provides a theoretical contribution to the development of literature on customer loyalty in the context of Indonesian MSMEs, particularly in the food industry. These findings can serve as a reference for future research and the development of more context-specific theories for local MSMEs.

Future research should explore additional variables that may influence customer loyalty, such as brand image, customer satisfaction, and pricing strategy, to provide a more comprehensive understanding. Expanding the study to include other MSMEs across different regions or industries would enhance the generalizability of the findings. Researchers may also use qualitative or mixed methods to gain deeper insights into customer perceptions of product and service quality. Additionally, examining external factors such as market competition and digital marketing could help develop a more holistic model of customer loyalty in the MSME food industry context.

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