THE IMPACT OF SERVICE QUALITY, CUSTOMER ENGAGEMENT, AND SELECTED MARKETING CONSTRUCT ON PASSENGER LOYALTY (CASE OF PT. KERETA API INDONESIA)

THESIS

Presented as Partial Fulfillment of Requirements for the Degree of Sarjana Manajemen (SM) in International Business Management Program Faculty of Business and Economics Universitas Atma Jaya Yogyakarta

Compiled By:

Maximilian Kolbe Sebayang 191224769

INTERNATIONAL BUSINESS MANAGEMENT PROGRAM
FACULTY OF BUSINESS AND ECONOMICS
UNIVERSITAS ATMA JAYA YOGYAKARTA
2023

APPROVAL PAGE

THE IMPACT OF SERVICE QUALITY, CUSTOMER ENGAGEMENT, AND SELECTED MARKETING CONSTRUCT ON PASSENGER LOYALTY (CASE OF PT. KERETA API INDONESIA)

Thesis

Compiled by:

Maximilian Kolbe Sebayang 191224769

Has been read and approved by:

Thesis Advisor

Mahestu Noviandra Krisjanti, S.E., M.Sc. IB, Ph.D. 17th July 2023

AUTHENTICITY ACKNOWLEDGEMENT

I, Maximilian Kolbe Sebayang, hereby declare that I have complied and completed the thesis with the title:

THE IMPACT OF SERVICE QUALITY, CUSTOMER ENGAGEMENT AND SELECTED MARKETING CONSTRUCT ON PASSENGER LOYALTY (CASE OF PT. KERETA API INDONESIA)

Declare that it is fully my work and does not contain the work of others except for some parts that require references with the proper procedures for writing scientific papers and are stated in bibliography in this thesis.

Yogyakarta, 17th July 2023

Maximilian Kolbe Sebayang

PREFACE

Thank Almighty God, Jesus Christ, who has blessed me to finish my research as a requirement for my undergraduate study; this thesis has been created. In the process of writing this thesis, I would like to express my sense of gratitude to the parties involved in making the thesis. The proposed title for this thesis is;

THE IMPACT OF SERVICE QUALITY, CUSTOMER ENGAGEMENT AND SELECTED MARKETING CONSTRUCT ON PASSENGER LOYALTY (CASE OF PT. KERETA API INDONESIA)

While creating the thesis, there is much help, guidance, and support. In its creation and completion, I received reviews and suggestions that helped me compose this thesis.

1. Thank you to almighty god, Jesus Christ, who has blessed me to finish my research from the start to the end.
2. My thesis advisor, Mahestu Noviandra Krisjanti, S.E., M.Sc. IB, Ph.D., who has given me feedback, reviewed my research, provided suggestions, and corrected my mistakes while creating the thesis. Without her help, I could not finish even starting this thesis.
3. My family, father, mother, brother and sister who always pray and support me in every step in my life.
4. My bro from IBMP, Christoper, Brian, Imo, Jojo, Joss, and Surya. For the help and support in my university journey
5. The Island Boys, Alex, Emiliano and Marko. That always send support from overseas.
6. All of my friends from IBMP and FBE for all the knowledge and critics during composing this research and university life.
7. All employees and staff of the Faculty of Business and Economics Atma Jaya Yogyakarta University for helping and giving me knowledge during my university journey.
8. For everyone else that I am unable to mention by names above. Thank you for the support, help, and lesson.

As researcher, I realize that this research is far from perfect and there are many mistakes in the writing context. Therefore, I accept suggestions and criticism from readers to improve my future research and the future study of others with similar topics.

Yogyakarta, 17th July 2023

Maximilian Kolbe Sebayang

TABLE OF CONTENTS

APPROVAL PAGE ii

AUTHENTICITY ACKNOWLEDGEMENT iii

PREFACE iv

TABLE OF CONTENTS vi

LIST OF TABLES xi

LIST OF FIGURES xiii

LIST OF APPENDIXES xiv

ABSTRACT xv

CHAPTER I INTRODUCTION 1

- 1.1 Background 1
- 1.2 Problem Statement 5
- 1.3 Research Objective 6
- 1.4 Research Benefits 7
- 1.5 Writing Systematic 7

CHAPTER II LITERATURE REVIEW 9

- 2.1 Theoretical Background 9
  - 2.1.1 Service Quality 9
  - 2.1.2 Perceived Value 11
  - 2.1.3 Customer Satisfaction 11
  - 2.1.4 Brand Image 12
  - 2.1.5 Customer Engagement 13
  - 2.1.6 Customer Loyalty 14
- 2.2 Previous Research 15

2.3 Hypotheses Development 24

2.3.1 The effect between customer engagement and customer loyalty.... 24

2.3.2 The effect between service quality and perceived value................ 24

2.3.3 The effect between service quality and brand image 24

2.3.4 The effect between service quality and customer satisfaction 25

2.3.5 The effect between service quality and customer loyalty 25

2.3.6 The effect between perceived value and customer satisfaction 26

2.3.7 The effect between perceived value and customer loyalty 26

2.3.8 The effect between perceived value and customer engagement 26

2.3.9 The effect between customer satisfaction and brand image............ 27

2.3.10 The effect between customer satisfaction and customer engagement… 27

2.3.11 The effect between customer satisfaction and customer loyalty..... 28

2.3.12 The effect between between brand image and customer loyalty 28

2.3.13 The effect between brand image and customer engagement 28

2.3.14 The mediation effect between service quality and customer loyalty through perceived value 29

2.3.15 The mediation effect between service quality and customer loyalty through brand image 29

2.3.16 The mediation effect between service quality and customer loyalty through customer satisfaction 30

2.3.17 The mediation effect between perceived value and customer loyalty through customer satisfaction 30

2.3.18 The mediation effect between perceived value and customer loyalty through customer engagement 30

2.3.19 The mediation effect between customer satisfaction and customer loyalty through customer engagement 31
2.3.20 The mediation effect between brand image and customer loyalty through customer engagement 31
2.4 Research Framework 32
CHAPTER III RESEARCH METHODOLOGY 33
3.1 Type of Research 33
3.2 Object, Subject, and Location of Research 34
3.3 Population and Sample 34
3.3.1 Population 34
3.3.2 Sample 35
3.4 Data Collection Method 36
3.5 Operational Definition 38
3.6 Data Measurement Method 42
3.7 Data Analysis Method 42
3.7.1 Descriptive Statistics 42
3.7.2 Instrument Testing 44
3.7.3 Analytical Tools 45
CHAPTER IV DATA ANALYSIS AND DISCUSSION 51
4.1 Descriptive Statistic Analysis 51
4.1.1 Results of Filter Question 51
4.1.2 Respondent Descriptive Statistic 52
4.1.3 Statistical Mean Data Analysis 53
4.2 SmartPLS Analysis 55
4.2.1 Measurement Model Analysis (Outer Model) 56

4.2.2 Structural Model (Inner Model) 61

4.2.3 Hypothesis Testing 65

4.3 Discussion 78

4.3.1 The effect of customer engagement to customer loyalty 78

4.3.2 The effect between service quality and perceived value 79

4.3.3 The effect between service quality and brand image 79

4.3.4 The effect between service quality and customer satisfaction 80

4.3.5 The effect between service quality and customer loyalty 81

4.3.6 The effect between perceived value and customer satisfaction 81

4.3.7 The effect between perceived value and customer loyalty 81

4.3.8 The effect between perceived value and customer engagement 82

4.3.9 The effect between customer satisfaction and brand image 82

4.3.10 The effect between customer satisfaction and customer engagement… 82

4.3.11 The effect between customer satisfaction and customer loyalty 82

4.3.12 The effect between brand image and customer loyalty 83

4.3.13 The effect between brand image and customer engagement 83

4.3.14 The mediation effect between service quality and customer loyalty through perceived value 83

4.3.15 The mediation effect between service quality and customer loyalty through brand image 84

4.3.16 The mediation effect between service quality and customer loyalty through customer satisfaction 84

4.3.17 The mediation effect between perceived value and customer loyalty through customer satisfaction 84

4.3.18 The mediation effect between perceived value and customer loyalty through customer engagement 85

4.3.19 The mediation effect between customer satisfaction and customer loyalty through customer engagement 85

4.3.20 The mediation effect between brand image and customer loyalty through customer engagement 86

CHAPTER V CONCLUSION 87

5.1 Conclusion 87

5.2 Managerial Implications 90

5.3 Research Limitations 92

5.4 Suggestion for Future Research 92

BIBLIOGRAPHY 93

ATTACHMENT 101

LIST OF TABLES

Table 1.1 Number of Passengers on PT.KAI excecutive service 3
Table 2.1 Previous Research 15
Table 3.1 Operational Definition 38
Table 3.2 Class Interval Division 44
Table 4.1 Respondent Filter Question Result 51
Table 4.2 Respondent Gender Data Analysis Result 52
Table 4.3 Respondent Travelling Purpose Data Analysis Results 52
Table 4.4 Respondent Membership on KAI Access Result 53
Table 4.5 Class Interval Division 54
Table 4.6 Outer Loading 57
Table 4.7 Average Variance Extracted 58
Table 4.8 Fornell Larcker Criterion 59
Table 4.9 Cross-Loading 60
Table 4.10 Composite Reliability 61
Table 4.11 R-Square 61
Table 4.12 *f*-Square 63
Table 4.13 Q-Square 64
Table 4.14 Direct Effect 66
Table 4.15 Indirect Effect 71
Table 4.16 Mediation Effect of Service Quality and Customer Loyalty Through Perceived Value 72
Table 4.17 Mediation Effect of Service Quality and Customer Loyalty Through Brand Image 73
Table 4.18 Mediation Effect of Service Quality and Customer Loyalty Through Brand Image 74
Table 4.19 Mediation Effect of Service Quality and Customer Loyalty Through Customer Satisfaction 75
Table 4.20 Mediation Effect of Perceived Value and Customer Loyalty Through Customer Engagement 76

Table 4.21 Mediation Effect of Customer Satisfaction and Customer Loyalty Through Customer Engagement 77

Table 4.22 Mediation Effect of Brand Image and Customer Loyalty Through Customer 78

LIST OF FIGURES

Figure 1.1 Number of Trips by Domestic Tourist 2015-2021 2
Figure 2.1 Research Framework 32
Figure 3.1 Zhao et al's Decision Tree.. 49
Figure 4.1 Structural Model 55
Figure 4.2 Construct Model 56
Figure 4.3 Bootsrapping Testing Method 65

LIST OF APPENDIXES

Appendix 1 Draft of Questionnaire 101

Appendix 2 Prove of Submission 104

Appendix 3 SmartPLS 3.2.9 (Data Processing) 105

Appendix 4 Spreading the Questionnaire 112

Appendix 5 Raw Data 114

THE IMPACT OF SERVICE QUALITY, CUSTOMER ENGAGEMENT AND SELECTED MARKETING CONSTRUCT ON PASSENGER LOYALTY (CASE OF PT. KERETA API INDONESIA)

Compiled by:
Maximilian Kolbe Sebayang
Student ID: 19224769
Thesis Advisor:
Mahestu Noviandra Krisjanti, S.E., M.Sc. IB, Ph.D.

International Business Management Program, Faculty of Business and Economics, Universitas Atma Jaya Yogyakarta, Jalan Babarsari 43-44, Yogyakarta

ABSTRACT

This research analyses the influence of service quality, customer engagement, perceived value, customer satisfaction, brand image toward PT. Kereta Api Indonesia passenger loyalty. The survey through online questionnaire (Google Forms) was conducted using a 5-point Likert scale. Data was collected using the purposive sampling method from 157 respondents who have use PT. Kereta Api Indonesia executive or luxury service for long distance transportation. A partial least square-structural equation model (PLS-SEM) was employed using SmartPLS version 3.2.9 to analyze the data. The findings show that customer engagement positively affects customer loyalty, service quality positively affects perceived value, service quality and customer satisfaction positively affect brand image, service quality and perceived value positively affect customer satisfaction, perceived value and brand image positively affect customer engagement and customer engagement mediate perceived value and customer loyalty. In contrast, service quality, perceived value, customer satisfaction, and brand image do not affect customer loyalty. Customer satisfaction does not affect customer engagement. Perceived value, brand image, customer satisfaction does not mediate service quality and customer loyalty. Customer satisfaction does not mediate perceived value and customer loyalty. Customer engagement does not mediate customer satisfaction and customer loyalty. Customer engagement does not mediate brand image and customer loyalty.

Keyword: service quality, perceived value, customer engagement, customer satisfaction, brand image, customer loyalty.