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## MARKETING | RESEARCH ARTICLE

# The Effect of Service Quality and Product Diversity on Customer Loyalty

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**Abstract:** This study aims to determine the effect of Service Quality and Product Diversity on Customer Loyalty at TPC Raja Wallpaper in Mamuju Regency. The research method employed is quantitative, using primary data collected through questionnaires. The respondents in this study were all customers who made purchases at TPC Raja Wallpaper in Mamuju Regency. The sampling technique used was accidental sampling, with a sample size of 30 respondents. The analysis in this study utilizes multiple linear regression, validity testing, reliability testing, t-tests, and F-tests. The results indicate that both Service Quality and Product Diversity have a positive and significant partial effect on Customer Loyalty at TPC Raja Wallpaper in Mamuju Regency. Additionally, Service Quality and Product Diversity simultaneously significantly impact Customer Loyalty at TPC Raja Wallpaper in Mamuju Regency.

**Keywords:** Service Quality, Product Diversity, Customer Loyalty.

**JEL Classification Code:** L74, M12, M54, C30, O22

## 1. INTRODUCTION

Business development dynamics are progressing rapidly, characterized by the emergence of various business sectors that simultaneously impact the global economy. This development is further supported by customers' growing demands and desires, seeking efficient, fast, and promising services to fulfill their needs. The availability of tools to meet these needs is one of the efforts made by business owners to seize this opportunity, creating a market segmentation that responds to the evolving situation. As a result, opening a business that aligns with customer needs has become a priority, providing benefits for business owners while ensuring that quality service is provided to customers. Offering quality products ensures that customers feel comfortable and prioritize the products offered.

A product is considered of high quality if it can meet customer expectations. To produce quality products, companies implement strict controls throughout each stage, from preparing unfinished products to storing finished goods. Today's customers are increasingly critical regarding product management, always wanting to receive products that align with the price they pay. While some believe that expensive products equate to quality, good product quality positively influences customer perceptions. Therefore, offering competent, reliable, and competitive products is essential. In addition, good service quality must go hand in hand with a diverse range of products offered to customers. According to Simamora in Anugrah (2024), product diversity is a collection (diversity) of product lines and elements offered by certain sellers to buyers. A wide variety of products provides customers with alternatives when making choices. Based on this, it can be explained that positive service quality, supported by adequate product diversity, can directly impact customer loyalty to a company, influencing purchasing decisions. Purchasing decisions are individual actions directly involved in buying products offered by sellers. Therefore, buying decisions are alternatives available to individuals when making a choice.

The business world, in general, is experiencing intense competition, as evidenced by the rise of various similar businesses, which presents challenges for business actors. TPC Raja Wallpaper Mamuju is one such business, providing wallpaper installation services and selling multiple products



such as wallpaper, vinyl, glass stickers, dowries, photo printing, interior design wall hangings, pick boxes, plaques, photo frames, decorative flowerpots, board, and other creative products. The availability of a diverse range of products gives customers more options when using TPC Raja Wallpaper's services.

Based on preliminary observations made by the researcher, several factors could affect customer loyalty at TPC Raja Wallpaper in Mamuju Regency, West Sulawesi, including service quality and product diversity. However, there are issues concerning service quality at TPC Raja Wallpaper, such as delayed installation orders due to high demand, long working hours, and customers reporting that the installation results were not optimal. Regarding product diversity, initial observations revealed that many customers complained about the monotonous products offered and the lack of innovation to meet current customer needs. This is also indicated by the limited variety of products offered to customers and the lack of product differentiation efforts made by the business managers of TPC Raja Wallpaper Mamuju Regency. This phenomenon challenges the company's owners to influence customer loyalty by delivering excellent service quality and providing a unique experience that sets the company apart from competitors. This will attract customers and encourage them to choose TPC Raja Wallpaper as their preferred choice. Based on these considerations, the author is interested in discussing the topic in this thesis titled *The Effect of Service Quality and Product Diversity on Customer Loyalty at TPC Raja Wallpaper in Mamuju Regency*.

## 2. LITERATURE REVIEW

### 2.1. Marketing concept

In everyday life, marketing can be understood as distributing goods or services from sellers to buyers in exchange for legal tender, with the goods or services considered to have a selling value. According to Zainurossalamia (2020), Marketing is one of the main activities carried out by entrepreneurs to ensure the survival of their business, develop the company, and achieve maximum profit. Meanwhile, Alma (2021) defines marketing as an activity or process carried out by someone not just to offer goods or sell, but using various methods to ensure a sale and purchase agreement takes place between consumers and producers. A similar view is expressed by Kotler and Armstrong (2019), who state that marketing is a social and managerial process through which individuals or organizations obtain what they need and want by creating and exchanging value with others.

### 2.2. Service Quality

According to Lupiyoadi in Maulida (2021), service quality is any action or activity that can be offered by one party to another, which is essentially intangible and does not result in the transfer of ownership. A similar view is expressed by Kotler and Armstrong (2019), who describe service quality as activities or actions offered by one party, with basic elements, whether they result in ownership. Meanwhile, according to Cashmere in Hidayah et al. (2021), a company's service quality refers to its ability to provide services that can satisfy customers' needs and desires. Customers will continue to feel satisfied and increasingly engage in transactions or consumption over time. According to Tjiptono in Rahman and Ramadani (2023), there are five factors or determinants of service quality using the SERVQUAL method:

1. **Tangible:** Refers to the physical appearance, equipment used to provide customer services, comfort, and effective communication.
2. **Reliability:** The ability to provide services as promised, consistently, accurately, and dependably. For example, the ability of employees to deliver the best service, handle customer needs quickly and correctly, and meet customer expectations.
3. **Responsiveness:** The willingness of employees and entrepreneurs to assist customers, provide services quickly, and address customer complaints. This includes fulfilling customer requests promptly and accurately, with employees being friendly and ready to cooperate.

4. Assurance: The ability of employees to instill confidence and trust in customer promises. For example, employees' knowledge and skills in performing their duties, their reliability, and their ability to inspire trust in customers through their technical expertise.
5. Empathy: The willingness of employees and employers to show personal care and attention to customers. For example, employees should try to understand the customer's perspective. If a customer has a complaint, the issue should be resolved as soon as possible to maintain a harmonious relationship, showing sincere care through the attention given to serving and addressing customer concerns.

### 2.3. Product Diversity

According to Alma in Leni (2023), Product diversity refers to the completeness of a product offering, which encompasses the depth, breadth, and quality of the products, as well as their availability in each store. Simamora, as cited in Anugrah (2024), defines product diversity as a set (diversity) of product lines and elements offered by certain sellers to buyers. Kotler and Armstrong, also cited in Anugrah (2024), describe product diversity as a collection of all products and goods businesses offer consumers. Based on these definitions, it can be concluded that product diversity refers to the collection of all product lines and types of products offered by sellers to buyers, including the number of product lines and the elements associated with them. Sari & Setiyowati, as cited in Juliantari (2023), identify several indicators of product diversity, which include:

1. Size  
Product size refers to the suitability of the product's design, which leaves a good impression on customers.
2. Product type  
The type of product is the variety offered to customers, providing them with a broader selection of choices.
3. Product material  
Product materials are the essential components or sources used to create the products offered to customers.
4. Product design  
Product design includes the shape or appearance of the product, which must adapt to current trends and developments.
5. Product quality  
Product quality pertains to customer satisfaction after use due to trials or experiences with the product.

### 2.4. Customer Loyalty

Customer loyalty results from a company's efforts to maintain the customers they have acquired over time, ensuring that customers remain satisfied with the products or services provided. According to Kotler and Keller in Kurniawan (2020), Customer loyalty is a deeply held commitment to buy or reuse a preferred product or service in the future. Griffin, as cited in Ramdani (2020), defines customer loyalty as a consumer being considered loyal if they demonstrate regular purchasing behavior, or if there is a condition that requires consumers to make at least two purchases within a certain time frame. According to Hidayati et al. (2021), Customer loyalty refers to a customer who not only repurchases a product or service but also has a commitment and attitude that leads them to recommend it to others. Hidayat, as cited in Darunanto et al. (2024), identifies the following indicators of customer loyalty:

1. Trust refers to the customer's confidence in the market.
2. Emotional commitment represents the customer's psychological attachment to the market.
3. Switching cost refers to the customer's perception of the burden or inconvenience experienced when a change occurs.

4. Word of mouth is the publicity behavior where customers share their positive experiences with others in the market.
5. Cooperation is the customer behavior that demonstrates an attitude of collaboration with the market.

### 3. RESEARCH METHOD AND MATERIALS

#### 3.1. Location and Time of Research

This research was conducted at TPC Raja Wallpaper, Jln Pababari Number 47, Mamuju City, Karema Village, Mamuju District, Mamuju Regency, West Sulawesi.

#### 3.2. Type of Research

1. Quantitative data is data in the form of numbers or scaled qualitative data, according to Sugiyono (2019). In this study, quantitative data includes the population, research sample, questionnaire calculations, and research results.
2. Qualitative data is data in the form of words, sentences, narratives, gestures, facial expressions, charts, pictures, and photos, as stated by Sugiyono (2019). The qualitative data in this study includes a general description of the research site, the organizational structure, and data on the characteristics of the research respondents.

#### 3.3. Population and Sample

The population is defined as a generalization area consisting of objects or subjects that have certain quantities and characteristics set by researchers to study and then draw conclusions, according to Sugiyono (2019). In this study, the population consists of all customers at TPC Raja Wallpaper in Mamuju Regency. Sugiyono (2017) states that a sample is a part of the number and characteristics possessed by the population. Sugiyono (2017) outlines the following guidelines for determining the sample size:

- For a sample to meet research requirements, the sample size should be between 30 and 500 respondents.
- If the sample is based on categories, the number of members in each category can be 30 people.
- If using multivariate or regression analysis, the sample size is calculated by multiplying the number of variables by 10.
- For experimental research, the sample size for each group should be between 10 and 20 people.

Due to limited knowledge about the exact size of the population, sample selection was carried out using accidental sampling (incidental sampling). According to Sugiyono (2019), accidental sampling is a sampling technique based on chance, where anyone who meets the researcher can be used as a sample, provided that the person who happens to meet is deemed suitable as a data source. Therefore, the sample in this study consists of anyone who happens to meet the researcher at TPC Raja Wallpaper in Mamuju Regency, with a sample size of 30 respondents.

#### 3.4. Data Analysis

In the ongoing research, data analysis uses multiple linear regression because there are two independent and one dependent variable. Ghozali (2018) states that the linear regression model is used to test the linear relationship between more than one independent variable and the dependent variable. The predictor variables are examined in multiple regression for their correlation in explaining the dependent variable. The multiple regression equation is as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X(3) + e$$

Description Y: Dependent Variable  
 α: Constan  
 b1 b2: Regression/Termination Coefficient  
 X1 X2 : Independent Variable  
 e: Standard error

#### 4. RESULTS AND DISCUSSION

##### 4.1. Test result

Based on the product moment table for the degree of freedom (df) = N - 2, where the number N (sample) is 30 - 2 = 28, the average value is 0.361.

**Table 1. Validity Testing Results**

No.	Statement	Value of recalculated	Value of table	Decision
1	Statement X1.1	0,736	0,361	Valid
2	Statement X1.2	0,434	0,361	Valid
3	Statement X1.3	0,559	0,361	Valid
4	Statement X1.4	0,681	0,361	Valid
5	Statement X1.5	0,831	0,361	Valid
6	Statement X2.1	0,733	0,361	Valid
7	Statement X2.2	0,672	0,361	Valid
8	Statement X2.3	0,681	0,361	Valid
9	Statement X2.4	0,707	0,361	Valid
10	Statement X2.5	0,569	0,361	Valid
11	Statement Y.1	0,687	0,361	Valid
12	Statement Y.2	0,564	0,361	Valid
13	Statement Y.3	0,738	0,361	Valid
14	Statement Y.4	0,665	0,361	Valid
15	Statement Y.5	0,644	0,361	Valid

Source: SPSS output results processed, 2024

Table 1 shows that the value of all statements in the service quality variable, product diversity, and customer loyalty is declared feasible or valid, where the rcount> table value is 0.361.

##### 4.2. Reliability test

**Table 2. Reliability Test Results**

Variables	Cronbach's alpha	Figures	Info
Service quality (X1)	0,654	0,60	Reliable
Product diversity (X2)	0,697		Reliable
Customer loyalty (Y)	0,677		Reliable

Source: SPSS output results processed, 2024

Based on table 2, the Cronbach's alpha value for each variable is more significant than 0.60. This indicates that all statement elements used in each variable of this study are reliable and can be considered valid research measurement instruments.

### 4.3. Multiple Linear Regression Analysis Results

**Table 3. Multiple linear regression analysis results**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.408	4.110		1.072	.293
	Quality_Service	.401	.138	.439	2.908	.007
	Product Diversity	.397	.156	.385	2.551	.017

a. Dependent Variable: Customer Loyalty

Source: SPSS output results processed 2024

Based on the results obtained from the regression coefficients above, a regression equation can be made as follows:

$$Y = a + b_1X_1 + b_2X_2 + e$$

$$Y = 4.408 + 0.401 (X_1) + 0.397 (X_2) + e$$

Based on the table 3, the following conclusions can be drawn:

1. The constant value, or the state when the customer loyalty variable has not been influenced by the service quality and product diversity variables, is 4.408. This means that the value of customer loyalty at Raja Wallpaper in Mamuju Regency, in the absence of any changes or when in a constant state, is 4.408.
2. The regression coefficient value for the service quality variable is 0.401, indicating a positive relationship. This means that when service quality is factored into customer loyalty, customer loyalty will increase. Specifically, for every one-unit increase in the service quality variable, customer loyalty at Raja Wallpaper in Mamuju Regency will increase by 0.401, assuming all other variables remain constant.
3. The regression coefficient value for the product diversity variable is 0.397, indicating a positive relationship. Customer loyalty will increase when product diversity is included in the customer loyalty equation. Specifically, for every one-unit increase in the product diversity variable, customer loyalty at Raja Wallpaper in Mamuju Regency will increase by 0.397, assuming all other variables remain constant.

### 4.4. T-test results (partial test results)

Partial hypothesis testing is conducted to determine whether the independent variable affects the dependent variable.  $H_a$  is accepted if the significance value is less than 0.05 or if the t-count is greater than or equal to the t-table value. Conversely, if the significance value is greater than 0.05 or if the t-count is less than the t-table value, then  $H_0$  is accepted. The t-table value is calculated as  $t(\alpha/2; n - k - 1) = t(0.05/2; 30 - 3 - 1) = 2.052$ .

**Table 4. Partial t-test results**

Model		Coefficients			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	4.408	4.110		1.072	.293
	Quality_Service	.401	.138	.439	2.908	.007
	Product Diversity	.397	.156	.385	2.551	.017

a. Dependent Variable: Customer Loyalty

Source: SPSS output results processed, 2024

Based on Table 4, the results of the data analysis in this study show the partial effect of service quality on customer loyalty. The t-count value obtained is 2.908, more significant than the t-table value of 2.052, indicating a partial influence. The regression coefficient is 0.401, with a significance value of 0.007 (0.7%), less than 0.05 (5%), indicating that the effect is statistically significant. This means that service quality has a positive and partially significant effect on customer loyalty at Raja Wallpaper in Mamuju Regency. Therefore, Ho is rejected, and Ha is accepted, meaning the hypothesis is supported. Similarly, the data analysis in this study shows the partial effect of product diversity on customer loyalty. The t-count value obtained is 2.551, more significant than the t-table value of 2.052, indicating a partial influence. The regression coefficient is 0.397, with a significance value of 0.017 (1.7%), less than 0.05 (5%), indicating that the effect is statistically significant. This means that product diversity has a positive and partially significant effect on customer loyalty at Raja Wallpaper in Mamuju Regency. Therefore, Ho is rejected, and Ha is accepted, meaning the hypothesis is supported.

#### 4.5. F-test results (simultaneous test results)

**Table 5. F-Test Results**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.753	2	17.376	9.651	.001 <sup>b</sup>
	Residuals	48.614	27	1.801		
	Total	83.367	29			
a. Dependent Variable: Customer Loyalty						
b. Predictors: (Constant), Product Diversity, Service Quality						

Source: SPSS output results processed, 2024

Based on Table 5, the results of the simultaneous analysis of the variables of service quality and product diversity on customer loyalty show an F-value of 9.651, more significant than the F-table value of 3.354. This indicates a simultaneous or joint influence. The significance value is 0.001, less than 0.05, meaning the effect is statistically significant. Based on the data analysis, it can be concluded that service quality and product diversity simultaneously affect customer loyalty at Raja Wallpaper in Mamuju Regency. Therefore, H0 is rejected, and Ha is accepted.

## 4. CONCLUSION

Based on the discussion and data analysis results that align with the problem formulation the following conclusions are drawn:

1. Service quality positively and significantly affects customer loyalty at Raja Wallpaper in Mamuju Regency.
2. Product diversity positively and significantly affects customer loyalty at Raja Wallpaper in Mamuju Regency.
3. Service quality and product diversity simultaneously significantly affect customer loyalty at Raja Wallpaper in Mamuju Regency.

Based on the analysis and conclusions discussed above, the following recommendations are provided:

1. For Raja Wallpaper in Mamuju Regency: It is recommended that service quality strategies continue to be strengthened by enhancing personal interactions with customers through loyalty programs, responsive customer service, and ongoing communication. Maintaining strong customer relationships is crucial to ensure that service strategies effectively influence customer loyalty.

2. For Raja Wallpaper in Mamuju Regency: Efforts to build and increase product diversity should be strengthened, such as regularly updating product designs in line with current trends in the field of art. This will prevent customers from feeling bored with outdated designs and help keep them engaged with new offerings.

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