

CHAPTER I

INTRODUCTION

1.1. Background

Ganara Art is an art and culture education institution specializing in non-formal visual art education. Established in 2013, the company promotes art as a platform for expressing unspoken words and thoughts by fostering curiosity, sparking endless creativity, and embracing the uniqueness of each individual. The institution welcomes those new to exploring the art world, individuals ready to create, and even empowers those who have already found comfort and confidence in their artistic journey, such as young artists and designers. Moreover, Ganara Art focuses on issues of tolerance and peace through critical thinking and a creative approach. Additionally, the company develops women empowerment programs and works to increase female participation in the creative industry.

As of May 2023, Ganara Art operates several branches in Jakarta, including Rumah Wijaya, PIK Avenue, Plaza Indonesia, and Carstensz Mall. Additionally, the branch in Makassar is located at Nipah Park, which opened on March 6th, 2023. Ganara Art offers three main classes: the Pottery Wheel, where participants shape clay using a throwing wheel with their feet and enjoy watching the clay transform into round ceramic ware; the Pottery Handbuild class, which focuses on creating clay art through delicate hand movements without using a throwing wheel; and the Painting on Fabric or Pottery class, which provides a fun and refined experience using acrylic paints on various media such as bucket hats, knot bags, dried pottery, pouches, and canvas. Ganara Art Nipah Park offers two main

s: Regular Classes and All Day Art Activities (ADAA). The key differences between these two programs are as follows:



Table 1.1 The Difference Between All Day Art Activity (ADAA) and Regular Class

| Nipah Park | All Day Art Activity (ADAA) | Regular Class Beginner | Regular Class Kids |
|------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------|
| Price | IDR 50,000 – IDR 85,000 | IDR 150,000 – IDR 200,000 | IDR 125,000 |
| Duration | 45 minutes | 90 minutes | 90 minutes |
| Class | 1. Painting on Fabric/Pottery 2. Pottery Handbuild 3. Pottery Wheel Experience | 1. Acrylic Painting for Beginners 2. Pottery Handbuild for Beginners 3. Pottery Wheel | 1. Kids Painting 2. Kids Pottery |

Source: <https://ganara-art-apps.qore.dev/page/ijx>

The presence of competitors in the same field is not a new phenomenon. Kanva by Makassar Alat Lukis is one of the closest competitors to the Ganara Art concept, offering similar products, prices, target markets, and being located in the same Nipah Park area. Kanva currently operates three branches in Makassar City: Phinisi Point Mall, Panakkukang Square Mall, and the most recent one in Nipah Park. Initially, Kanva focused solely on canvas media, available in various sizes. In contrast, Ganara Art specializes in providing a variety of media materials, including different types of fabric and clay weights. Additionally, the Pottery Wheel class, which is available in Makassar, is a first at Ganara Art. Kanva also offers two types of classes similar to the Ganara Art concept: *Kelas Mandiri* and Regular Classes.



Table 1.2 The Difference of All Day Art Activity (ADAA) Class

| Nipah Park Branch | Ganara Art | Kanva |
|--------------------------|-------------------------------------|---------------------------------------------------|
| Painting Class | Available | Available |
| Pottery Handbuild | Available | Available |
| Pottery Wheel | Available | Not Available |
| Age | Start from 2 years | Start from 4 years |
| Duration | 45 minutes | Free |
| Price | Starts from IDR 50,000 per activity | Starts from IDR 50,000 – IDR 100.000 per activity |
| Payment | QRIS, E-Wallet, and Bank Transfer | Cash, Debit, QRIS, E-Wallet, and Bank Transfer |

Table 1.3 The Difference Between Regular Classes

| Nipah Park Branch | Ganara Art | Kanva |
|--------------------------|-----------------------------------|-----------------------------------------------|
| Painting Class | Available | Available |
| Pottery Handbuild | Available (250-500 gr) | Available (150 gr) |
| Pottery Wheel | Available | Not Available |
| Age | Start from 4 years | Start from 4 years |
| Mentoring | Yes (Different Classroom) | Yes (Join with <i>Kelas Mandiri</i>) |
| Duration | 90 minutes | 90 minutes |
| Price | Starts from IDR 125,000 | Starts from IDR 150,000 |
| Payment | QRIS, E-Wallet, and Bank Transfer | Cash Debit, QRIS, E-Wallet, and Bank Transfer |

Source: <https://ganara-art-apps.qore.dev/page/ijx> and Instagram @kanva.art.studio

Service quality is an effort that companies can use to face competition in the service sector, as it is closely related to customer satisfaction. According to Tjiptono (2016b), service quality is simply a measure of how well the level of service provided meets customer expectations. Service quality can also be seen

valuation of how competently a service provided aligns with the guest's expectations (Anwar & Qadir, 2017). The quality of service expected by consumers



includes adequate facilities, good service, comfort, safety, tranquility, and satisfying outcomes. Therefore, management must consider how to continuously improve service quality to ensure smooth operations in the future. Efforts to improve service quality will be most effective if enhancing service quality becomes a daily goal, starting from top leadership or directors down to service implementers or employees.

When customers wish to purchase tickets at Ganara Art Nipah Park, the process is carried out through website purchases. Feedloop is the company responsible for overseeing and managing the ticket-purchasing website at Ganara Art. Feedloop utilizes the Qore App to process transactions and collect customer data for Ganara Art branches in both Jakarta and Makassar. The All Day Art Activities (ADAA) class offers three types of activities: Pottery Wheel, Pottery Handbuild, and Painting on Pottery or Fabric. There are two types of tickets available: a single-session ticket for IDR 50,000, which allows the customer to choose one class with a duration of 45 minutes, and a double-session ticket for IDR 85,000. The double-session ticket can be used by one person to choose two activities, or by two people selecting the same activity.

The All Day Art Activities (ADAA) class also provides additional facilities free of charge. Every time a ticket is purchased, customers are allowed to visit the Art Gallery for free. Since its establishment on March 6th, 2023, the enthusiasm of Makassar City residents has significantly increased from March to April, leading to the introduction of several new programs to attract more visitors and boost profits.

One of the unique features that sets Ganara Art Nipah Park apart is being the first



to offer the Pottery Wheel class in Makassar. Currently, Ganara Art Nipah o offers the All Day Art Activities (ADAA) program in the form of a Field

Trip program, which aims to enhance students' creativity. In addition to the explorative All Day Art Activities classes, Ganara Art also provides more intensive and exclusive classes, where each session is limited to a small group of participants and includes guidance from an expert teacher within a 90-minute session. These classes are available for children in the kids' class category (ages 4 to 8) and for beginners (ages 9 and up, including adults). In addition to its regular classes, Ganara Art hosts workshops, often held on weekends. These workshops include collaborations with local communities, artists, influencers, as well as activities such as planting at Ganara Greenway Garden (GGG), and more. Whether it's a class or a workshop event, both offer unique experiences with delivery methods designed for specific groups.

This study uses the Customer Integration Model (IMC) theory as the main theoretical framework. The IMC theory combines key concepts from customer value theory, service quality, and price perception to explain how customer perceptions of product or service value affect customer satisfaction. According to this theory, customer satisfaction is shaped by customers' perceptions of the value they receive from a product or service. Customer value can be measured by comparing the benefits received with the costs incurred, where costs include not only the price of the product or service but also additional factors such as time and effort. The model suggests that service quality plays a crucial role in shaping customer perceptions of value. When service quality is high, customers tend to feel that the benefits they receive outweigh the costs they incur, leading to increased satisfaction. Conversely, positive price perceptions also influence customers' value

ons. If customers believe the price they pay is proportional to the quality of
uct or service they receive, they are more likely to feel satisfied.



Customer satisfaction is a crucial aspect of any business, as it directly impacts customer loyalty, retention, and ultimately, the organization's bottom line. In today's competitive marketplace, customers are faced with numerous options, and businesses must strive to differentiate themselves by providing exceptional services that meet their needs and expectations. Two key factors that significantly influence customer satisfaction are service quality and perceived price. Service quality refers to the extent to which a company's products or services meet customer expectations and needs. High-quality services are characterized by factors such as reliability, responsiveness, empathy, and assurance (Parasuraman et al., 1985). When customers perceive a service as high-quality, they are more likely to experience positive emotions, such as trust and satisfaction, which can lead to increased loyalty and repeat business (Hart et al., 1990).

On the other hand, perceived price is a critical factor that can either enhance or detract from customer satisfaction. Perceived price is defined as the subjective evaluation of the price paid for a product or service relative to its perceived value (Kotler & Armstrong, 2018). When customers perceive a product or service as reasonably priced relative to its value, they are more likely to experience satisfaction and loyalty. Conversely, when customers perceive a product or service as overpriced or underpriced, they may experience dissatisfaction and even switch to a competitor.

Despite the importance of service quality and perceived price in influencing customer satisfaction, research has shown that these factors are often intertwined.

For example, a study by Anderson et al. (2009) found that high-quality services

usually increase perceived price, as customers perceive the value of the product to be greater. Similarly, a study by V. A. Zeithaml et al. (1996) found that



when customers perceive a service as high-quality but overpriced, they are more likely to experience dissatisfaction.

The relationship between service quality and perceived price is complex and multifaceted. On one hand, high-quality services can increase perceived value, leading to a greater willingness to pay a higher price. On the other hand, low-quality services can decrease perceived value, resulting in a reduced willingness to pay. Additionally, the perceived price of a product or service can influence customer satisfaction through its impact on perceived value. The variables of service quality and perceived price play a crucial role in shaping customer satisfaction. High service quality not only creates a satisfying experience for customers but also strengthens the company's reputation and reduces complaints. Likewise, a positive perceived price influences customer purchase decisions and contributes significantly to the perceived value of the product or service. When service quality and perceived price work in tandem, they mutually enhance customer satisfaction, foster a stronger relationship between the customer and the brand, and improve overall customer retention. By carefully managing these two variables, companies can achieve optimal levels of customer satisfaction, which will, in turn, positively impact their overall business performance.

Although many studies have separately examined service quality, perceived price, and customer satisfaction, research that combines these two variables is limited. Therefore, this study aims to explore the relationship between service quality and perceived price and their impact on customer satisfaction in the

istry.



1.2. Formulation of the Problem

Based on the background, the formulation of the problem in this study is as follows:

1. How does service quality affect customer satisfaction in All Day Art Activity (ADAA) and Regular Classes?
2. How does perceived price affect customer satisfaction in All Day Art Activity (ADAA) and Regular Classes?
3. How do service quality and perceived price together affect customer satisfaction in All Day Art Activity (ADAA) and Regular Classes?

1.3. Research Objectives

Based on the formulation of the problem above, this study aims to:

1. Analyze the effect of service quality on customer satisfaction in All Day Art Activity (ADAA) and Regular Classes.
2. Analyze the effect of perceived price on customer satisfaction in All Day Art Activity (ADAA) and Regular Classes.
3. Analyze the combined effect of service quality and perceived price on customer satisfaction in All Day Art Activity (ADAA) and Regular Classes.

1.4. Practical Significance

Upon completion of this research, it is expected to provide benefits for various parties, including:

1. For Readers

To enhance understanding and provide insights into how service quality and price can affect customer satisfaction.



2. For Researchers

To expand knowledge and experience, while testing problem-solving skills based on acquired theory, particularly in marketing.

3. For Ganara Art

To provide valuable input for the company in making future decisions, especially regarding service quality and price aspects that impact consumer satisfaction.

4. For the Broader Community

To contribute to the body of knowledge and offer skills in preparing further research, as well as provide information for continued studies on the relationship between service quality, price, and customer satisfaction.

5. For Academics

To serve as a reference for future research that students may undertake.

1.5. Systematics of Writing

CHAPTER I INTRODUCTION

This chapter outlines the background of the problem, the formulation of the problem, the supporting data for the research, the objectives and significance of the study, and the structure of the writing.

CHAPTER II LITERATURE REVIEW

This chapter provides an overview of relevant theories and concepts, previous research, the research framework, and hypotheses.

CHAPTER III CONCEPTUAL FRAMEWORK AND HYPOTHESES

This chapter discusses the research framework and the hypotheses related esis.



CHAPTER IV RESEARCH METHODOLOGY

This chapter presents the research design, research setting and time frame, population and sample, types and sources of data, and data collection techniques.

CHAPTER V RESULTS AND DISCUSSION

This chapter presents the results of the analysis, including validity tests, reliability tests, multiple regression analysis, coefficient of determination, and hypothesis testing (F-test and T-test).

CHAPTER VI CONCLUSION

This chapter provides conclusions and constructive recommendations for future research.



CHAPTER II

LITERATURE REVIEW

2.1. Theoretical Framework

2.1.1. Service Quality

2.1.1.1. Definition of Service Quality

Service quality refers to the difference between customer expectations and the actual service they receive. It can be assessed by comparing customer perceptions of the service delivered with their initial expectations. Service quality is a priority for companies, often involving all available resources to ensure satisfaction (Lupiyoadi, 2013). According to Gofur (2019), service quality is the perceived superiority of a product or service, based on the comparison between customer expectations and the experiences they have with the product or service. Moha & Loindong (2016) argue that service quality is determined by how well the service meets customer expectations. Kotler & Armstrong (2018) define service quality as the entirety of features and characteristics of a service that support its ability to fulfill customer needs, both directly and indirectly.

According to Tjiptono (2011), service quality is the effort made to fulfill customer needs and desires, ensuring the accuracy of delivery to align with customer expectations. It refers to the extent to which the overall characteristics of products and services meet consumer expectations. This includes attributes such as reliability, responsiveness, assurance, empathy, and tangibles. Service quality is the gap between customer expectations and the actual services they receive. It can be assessed by comparing customer perceptions of the service delivered with

ce they initially expected. Service quality is a critical aspect that companies
; involving all available resources. Zeithaml (2003) explains that service



quality focuses on evaluations that reflect customer perceptions of various service dimensions.

The literature on service quality theory encompasses various perspectives and concepts developed by experts in management, marketing, and consumer behavior. A prominent framework is the GAP model proposed by Parasuraman et al. (1998), which identifies five gaps that may arise between customer expectations and perceptions of service quality. This model views service quality as a comparison between what customers expect and what they perceive. Additionally, the perception and expectation theory emphasize the significance of customers' perceptions of the actual quality of service relative to their prior expectations. The concept of the "zone of discomfort" highlights that customer satisfaction is influenced not only by how well a service meets their expectations but also by the extent to which it exceeds or falls short of them. Relatedly, loyalty theory posits that customer satisfaction is a critical predictor of customer loyalty, with high-quality service being a pivotal factor in enhancing satisfaction levels. The literature on service quality is extensive, spanning academic journals, textbooks, and other scholarly publications in management and marketing, offering valuable insights into understanding, measuring, and improving the quality of services provided by organizations.

A study by Jones et al. (2013) explored the relationship between service quality and customer satisfaction in the hospitality industry. The research surveyed 400 customers who had stayed at a hotel within the past year, utilizing a standardized service quality measurement scale, such as SERVQUAL, to gauge

ceptions. The findings revealed a significant positive relationship between quality and customer satisfaction, with a strong correlation between these



variables. Specifically, dimensions of service quality like reliability, responsiveness, and empathy emerged as significant predictors of customer satisfaction, whereas dimensions like tangibles and assurance were found to be less influential. Additionally, the study indicated that customers who perceived a high level of service quality were more likely to report greater satisfaction, loyalty, and an intention to return to the hotel. These results underscore the critical role of service quality in shaping customer satisfaction within the hospitality sector and emphasize the importance of prioritizing service quality as a core strategy to enhance customer satisfaction.

Each of these definitions offers a unique perspective on what constitutes service quality, yet all highlight the importance of meeting or exceeding customer expectations to create a satisfying experience. A purchasing decision refers to the consumer behavior involved in the decision-making process of buying a product. Thus, service quality can be understood as the interaction between customers and employees, with outcomes that are immediately experienced by the customers.

2.1.1.2. Dimensions of Service Quality

According to Grönroos (1984), there are six criteria that define perceived good service quality:

1. Professionalism and Skill

Customers perceive that service providers, employees, operational systems, and physical resources possess the expertise and abilities required to solve their problems professionally (outcome-related criteria).

2. Attitudes and Behavior

Customers feel that service employees pay great attention to them, offering help spontaneously and with friendliness (process-related criteria).



3. Accessibility and Flexibility

Customers believe the service provider's location, hours of operation, employees, and systems are designed for ease of access. They also value the ability to accommodate customer requests flexibly.

4. Reliability and Trustworthiness

Customers trust that service providers will fulfill promises and act with their interests in mind, no matter the circumstances.

5. Recovery

Customers expect service providers to take immediate action and find appropriate solutions when unexpected issues arise.

6. Reputation and Credibility

Customers trust the service provider to operate reliably and deliver value commensurate with the costs incurred.

According to Parasuraman et al. (1990), service quality is categorized into five main dimensions ranked by importance:

1. Reliability

The ability to deliver accurate service on the first attempt without errors and within the promised timeframe.

2. Responsiveness

The willingness and ability of employees to assist customers promptly, keeping them informed and responding quickly to their needs.

3. Assurance

Employee behavior fosters trust in the company, creates a sense of security, and demonstrates knowledge and skills to address customer inquiries effectively.



4. Empathy

The company understands customer concerns, prioritizes their interests, and provides personalized attention with convenient operating hours.

5. Tangibles

The appeal of physical facilities, equipment, and materials, as well as employee appearance.

Brochado (2009) proposed the HEdPERF scale as the most effective measurement instrument for evaluating service quality in the higher education industry. This scale was later adopted by Yusuf (2017) to include five key variables:

1. Non-Academic Aspects

Refers to factors that enable students to fulfill their learning obligations, particularly tasks managed by non-academic staff.

2. Academic Aspects

Focuses on the roles and responsibilities of academic staff in delivering education and supporting students' learning experiences.

3. Reputation

Highlights the importance of higher education institutions maintaining a professional image to build trust and credibility.

4. Access

Covers issues related to the ease of contact, availability of services, and overall convenience for students.

5. Program Issues

Emphasizes the need for institutions to offer diverse, reputable academic programs or specializations with flexible structures and well-designed syllabi.



2.1.1.3. Factors Affecting Service Quality

Service quality is an essential factor, particularly for companies operating in the service industry. The application of service quality as a characteristic of product presentation or performance forms part of a company's strategy to achieve sustainable excellence. This approach serves not only to position the company as a market leader but also to ensure continued growth. According to Tjiptono (2015), several factors contribute to poor service quality are as follows:

1. Production and consumption occurring simultaneously is one of the unique characteristics of services, often referred to as inseparability. This means that services are produced and consumed at the same time. As a result, customer presence and participation in the service delivery process are frequently required. Consequently, various problems related to the interaction between service providers and customers may arise. Some weaknesses in service employees that can negatively impact perceived quality include: lack of skill in serving customers, inappropriate attire, impolite speech, unpleasant body odor that affects customer comfort, and consistently frowning facial expressions.
2. The high labor intensity and incentivized employee involvement in service delivery can also lead to quality problems in the form of high variability. Factors that typically affect this include:
 - a. Low wages (employees who directly serve or interact with customers generally have the lowest levels of education and wages within a company);
 - b. Inadequate training or training that does not align with the organization's needs;



- c. An excessively high employee turnover rate;
 - d. Low employee motivation.
- 3. Inadequate support for internal customers: Front-line employees is the backbone of the service delivery system. In many cases, the friendliness and courtesy of telephone operators and security guards may create the first impression for potential customers trying to contact a service provider. For front-line employees to serve customers effectively, they require support from key management functions (operations, marketing, finance, and HR). This support may include resources such as equipment (tools, materials, clothing, uniforms), skills training, and information (e.g., operating procedures).
- 4. Communication gaps can lead to negative assessments or perceptions of service quality. These gaps can occur in the following ways:
 - a. Service providers overpromise and fail to fulfill their promises.
 - b. Service providers are unable to always provide customers with the latest information.
 - c. Service providers' communication messages are not understood by customers.
 - d. Service providers do not pay attention to or fail to immediately follow up on customer complaints or suggestions.
- 5. Treating all customers the same way in interactions with service providers. Not all customers are willing to receive uniform service. It is common for some customers to want or even demand personalized services that differ from those provided to others. This presents a challenge for service providers in terms of individualizing services and understanding how



customers perceive the service provider and the specific service they receive.

6. Excessive expansion or development of services. When there are too many new services and additions to existing services, the results may not be optimal, and problems related to service quality standards can arise. Additionally, customers may become confused by the variety of service offerings, including differences in features, benefits, and quality levels.
7. Short-term business visions: A focus on short-term goals, such as achieving annual sales and profit targets, maximizing cost savings, or improving annual productivity, can undermine the long-term service quality that the company aims to establish.

According to Tjiptono (2015), there are two factors that affect service quality, namely:

1. Perceived Service

If the service received meets expectations, the quality is perceived as good and satisfying because it aligns with the best service quality standards.

2. Expected Service

If the service received exceeds customer expectations, the quality is perceived as high. However, if the service is lower than what customers expected, it is perceived as poor service quality.

Factors that influence service quality according to Nangoi (2004) are as follows:



1. Leadership

Employees develop leadership within themselves to have high work on, enabling them to provide excellent service. Leaders are expected to

demonstrate service-oriented leadership, with a vision to serve, high work standards, a hands-on leadership style, and integrity.

2. Teamwork Spirit

Without a spirit of teamwork, creating a customer-oriented attitude becomes challenging. Teamwork involves employee participation through information sharing and decision-making, which strengthens their commitment to delivering the best performance.

3. Technology

The use of technology is essential for improving service quality. This includes soft technologies, such as innovative work systems and methods, to enhance workflow efficiency and support the success of customer services.

4. Employee Job Satisfaction

Optimal service can be achieved when employees feel job satisfaction. The realization of employees' work potential, such as providing quality service to customers, is one of the results of job satisfaction.

The Lang Gie (1980) mentions several factors that affect the quality of service to customers. Some of these factors are:

1. Employee performance motivation

Employees with high work motivation will demonstrate their best performance, particularly in providing quality service to consumers.

2. Work systems and service systems in the company

Consistent, dynamic, and flexible work and service systems make it easier for employees to deliver services to consumers while maintaining service quality.



3. The work atmosphere in the company

A conducive and comfortable work atmosphere is essential to support employees in delivering quality service to consumers, helping them improve their service performance.

4. Employee work ability

Work ability refers to a person's capacity to perform various tasks in a job, which includes both intellectual and physical abilities. Quality service can be provided when employees possess maximum work ability.

5. Physical environment

The physical environment, such as temperature, work equipment, and a spacious, comfortable workspace, supports employees' comfort at work, facilitating the provision of quality service to both employees and consumers.

6. Equipment and facilities

Complete and adequate equipment and facilities support the services provided to consumers, enhancing service quality standards and assisting employees in delivering their best service.

7. Work procedures in the company

Work procedures refer to a series of predefined steps and methods for performing tasks. These procedures should be clear, well-planned, and easy to understand, ensuring effective task execution.

2.1.1.4. The Relationship between Service Quality dan Customer Satisfaction

The relationship between service quality and customer satisfaction is essential to the success of any business in the service industry. Service quality is the extent to which a company meets or exceeds customer expectations



in delivering its services, encompassing various dimensions such as reliability, responsiveness, assurance, empathy, and tangibles. Customer satisfaction, on the other hand, reflects the degree to which customers' needs, desires, and expectations are fulfilled or exceeded after interacting with a company's products or services.

Service quality plays a critical role in shaping customer satisfaction. When customers perceive that a company consistently delivers high-quality services that meet or exceed their expectations across different touchpoints, they are more likely to experience higher levels of satisfaction. For example, prompt responsiveness to inquiries or complaints, reliable service delivery, knowledgeable and courteous staff, and well-maintained facilities all contribute to positive service experiences and, consequently, greater customer satisfaction.

Conversely, when service quality falls short of expectations, it can lead to customer dissatisfaction. Service failures, such as delays, errors, or rude behavior from service personnel, can undermine customers' confidence in a company's ability to meet their needs, resulting in disappointment and frustration. Even minor lapses in service quality can have a significant impact on customer perceptions and satisfaction levels, highlighting the importance of consistently delivering high-quality service experiences. Tjiptono (2015) states that the consumer quality satisfaction index, when measured through the dimensions of service quality, namely tangible, empathy, reliability, responsiveness, and assurance, has an influence on customer satisfaction.

The relationship between service quality and customer satisfaction is supported by the research of Suryadharma & Nurcahya (2015), which states that the quality variables of Service Quality simultaneously have a



significant effect on customer satisfaction. Similarly, research conducted by Bucak (2014) confirms that there is a simultaneous influence between the service quality and customer satisfaction.

In summary, service quality and customer satisfaction are closely intertwined concepts that significantly impact the success and competitiveness of service-oriented businesses. By prioritizing service excellence, understanding customer expectations, and continuously monitoring and improving service delivery processes, companies can cultivate satisfied and loyal customer bases, driving sustainable growth and profitability in the long run.

2.1.2. Perceived Price

2.1.2.1. Definition of Perceived Price

Price refers to the nominal amount of money that must be spent to obtain a product or service. It is the amount charged to consumers to benefit from the advantages of owning a product or service. In the minds of consumers, price can also be seen as a determinant of product value Kotler & Armstrong (2018). According to Tjiptono (2015), price is the amount of currency and services or goods that buyers can exchange for some of the products and services provided by the seller.

Perceived price is the understanding of price information that is favored by consumers and made meaningful. Regarding price information, consumers can compare published prices with their perceived or expected price ranges. Perceived price shapes people's perceptions of the fair price of a product (Peter & Olson, 2014). The literature on perceived price theory has been a significant subject of

in marketing and consumer behavior, with many contributions from



One key concept in this literature is reference price theory, which, according to Kahneman & Tversky (1979), suggests that consumers tend to evaluate the price of a product or service by comparing it to reference prices they already have or expect. This concept helps explain how consumers form price perceptions. Additionally, the literature includes price equity theory, which, according to Zeithaml (1988), refers to consumers' perceptions of whether the price they pay is fair for the value they receive. Consumers tend to seek a balance between price and benefits, and an imbalance in this perception can affect their satisfaction.

Purchase behavior theory also offers important insights into how consumers respond to price. Engel et al. (1995) suggest that consumers may change their purchase preferences based on price information, such as discounts, promotions, or price comparisons between brands. Furthermore, psychological and emotional factors play an important role in how consumers perceive price. For instance, Simonson (1992) highlights that framing effects influence how consumers interpret price. The way prices are presented and positioned can significantly impact consumers' perception of the value of a product or service.

Based on the theories above, it can be concluded that perceived price is a comparison between the price that consumers have received through information and the price they believe aligns with the benefits and expectations they anticipate. Consumers with a favorable perception of a product's price may quickly decide to purchase the product because they assess that the price offered meets their expectations.

The assessment of prices for various products, considered expensive or y different consumers, varies depending on individual perceptions of their nent and conditions. Essentially, when consumers evaluate a price, they



depend not only on the price itself but also on their perception of the price. Therefore, companies must set prices appropriately to ensure favorable price perceptions among consumers, allowing them to make informed purchasing decisions.

Overall, the literature on perceived price provides valuable insights into how prices are understood and evaluated by consumers, as well as the factors that influence these perceptions. A deep understanding of this concept helps companies design effective pricing strategies, comprehend consumer buying behavior, and enhance customer satisfaction by offering value for money.

2.1.2.2. Price Setting Strategy

According to Kotler & Armstrong (2018), pricing strategies can be classified into five categories:

1. Geographic Pricing

Geographic pricing requires companies to determine how to set prices for customers in different locations or countries.

2. Discounts

Companies often modify their base prices to reward customers for actions such as early payment, bulk purchases, or off-season purchases. These rewards are typically offered in the form of discounts.

3. Discriminatory Pricing

Discriminatory pricing occurs when a company sells a product or service at two or more prices that do not proportionally reflect the cost differences.

4. Product Mix Pricing

This pricing strategy involves setting different prices for a range of products or services that may not reflect proportional cost differences.



5. Promotional Pricing

Under certain conditions, a company may temporarily set prices below the list price, or even below cost. Promotional pricing can take several forms, including loss pricing, special event pricing, warranty agreements, and service or psychological discounts.

According to Suyanto (2007), there are six key steps that companies should follow when setting selling prices:

1. Setting a Price Target

A price target refers to the company's objectives when determining prices. For example, a company might lower its selling price to remain competitive or survive in the market.

2. Determining Demand

In this step, the company assesses demand, which indicates how much of the product will be purchased over a specific period at various price points.

3. Estimating Costs

The company must estimate production costs, including both variable and overhead costs.

4. Analyzing Competitors

Here, the company compares its costs and prices with those of its competitors to ensure competitiveness.

5. Choosing a Pricing Method

The company must select from the various available pricing methods to suit its strategy.



6. Setting the Final Price

When setting the final price, the company must evaluate the risks and benefits, particularly in relation to customer reactions, especially if the price leads to dissatisfaction.

Lupiyoadi (2013) also outlines several common pricing strategies:

1. Market Skimming

New products are initially offered at a high price to quickly recover investment costs.

2. Penetration Pricing

A new product is priced lower to attract customers and expand market share, particularly in a price-sensitive market.

3. Prestige and Economy Pricing

Prestige pricing involves setting higher-than-average prices to signal high value, while economy pricing involves setting prices below the market average to appeal to cost-conscious customers.

4. Multi-Pricing

This strategy offers quantity discounts, where the price decreases as the quantity purchased increases.

5. Odd Pricing

Based on psychological pricing, this strategy sets prices just below round figures (e.g., IDR 1,999 instead of IDR 2,000) to make the product appear significantly cheaper.



2.4.2 Indicators of Perceived Price

Price is a monetary value or other measuring instruments (including goods and services) that can be exchanged to acquire ownership rights or usage rights

of goods and services. However, perceived price differs from the actual price. Perceived price is the price that consumers perceive based on their knowledge and experience. According to Kotler & Armstrong (2018), the indicators of perceived price are:

1. Competitive Price

This is the price set by sellers using a competitive pricing method. The indicator for competitive price is the price set by competitors.

2. Affordable Price

This refers to the purchasing power consumers have for a product. The indicator for affordable price is the price set within the consumers' financial capability.

3. Price Quality

This is the relative price that matches the quality of the product. The indicator for price quality is the price set based on the quality of the product.

4. Price Benefit

This refers to the price's alignment with the benefits of the product. The indicator for price benefit is the price that is appropriate and consistent with the benefits received by consumers.

Perceived price fairness can be measured using several indicators.

According to Herawaty (2016), there are five indicators of perceived price fairness:

1. Customers pay a fair price.

2. Pricing accuracy.

3. Fairness of pricing policy.

Price changes are in accordance with ethics.

Prices are acceptable to customers.



According to Leonnard et al. (2014), the indicators of perceived price are:

1. Price Transparency

This refers to clear, comprehensive, and relevant price-setting according to the current market situation. It includes aspects such as clear price information, completeness, and accuracy.

2. Price-Quality Ratio

This is the comparison between the service quality and the monetary cost. It results from comparing the quality of the product or service with its cost.

3. Relative Price

This refers to the price offered by an organization or its competitors.

4. Price Confidence

This is the assurance that the price is satisfactory for consumers. In other words, it means that the price is transparent and remains consistently low.

5. Price Reliability

This refers to the fulfillment of expected or perceived prices and the prevention of unexpected price increases. It involves clear information about prices, with no hidden fees or unexpected changes.

2.1.2.4. The Relationship between Perceived Price dan Customer Satisfaction

The relationship between perceived price and customer satisfaction is a complex and multifaceted aspect of consumer behavior and marketing theory. Perceived price refers to the consumer's subjective assessment of the cost or value of a product or service, while customer satisfaction reflects the level of content or fulfillment a customer experiences after purchasing and using a product or service.



In many cases, perceived price has a significant impact on customer satisfaction. When consumers believe that a product or service offers good value for the price they paid, they are more likely to feel satisfied. This indicates that factors such as perceptions of fairness, affordability, and the quality-price ratio play crucial roles in shaping satisfaction. For example, if a customer perceives that they received a high-quality product or service at a reasonable price, they are more likely to be satisfied with their purchase.

Conversely, if the perceived price does not align with the value received, dissatisfaction may arise. This can happen when customers feel that a product or service is overpriced relative to its perceived quality, or if they experience unexpected costs or hidden fees. In such cases, customers may feel they did not get adequate value for the price they paid, leading to lower satisfaction levels.

However, it's important to note that the relationship between perceived price and customer satisfaction is not always straightforward. It can be influenced by various factors, including individual differences, situational context, and external cues. Moreover, customer satisfaction is often shaped by multiple factors beyond price, such as product quality, service excellence, brand reputation, and the overall shopping experience.

Understanding the relationship between perceived price and customer satisfaction is essential for businesses aiming to optimize their pricing strategies, enhance customer value perceptions, and foster long-term customer loyalty. By managing price perceptions effectively and providing value-aligned experiences, businesses can create satisfied and loyal customer bases, driving sustainable

and profitability.



Price perceptions significantly influence customer satisfaction and loyalty (Nugroho & Tjahjaningsih, 2022). Price perception is a psychological factor that greatly impacts consumer reactions to prices (Juniantari et al., 2020). Perceived price refers to a customer's tendency to evaluate the value of a product based on its price (Septiani, 2020). The evaluation of a product's price relative to its benefits can be perceived as expensive, affordable, or reasonable, depending on the individual's perception, influenced by personal and environmental factors (Dewi, 2020). In other words, customers do not evaluate the price of a product solely based on its face value, but rather on their perception of it. Therefore, companies must set appropriate prices to successfully market their goods and services (Dimiyati & Subagio, 2016).

Muis (2018) states that when consumers perceive a higher value in the price they pay, it leads to greater customer satisfaction. This finding is consistent with research by Sukmadani (2019), which shows that perceived price has a significant effect on customer satisfaction.

2.1.3. Customer Satisfaction

2.1.3.1. Definition of Customer Satisfaction

Satisfaction, derived from the Latin words “*satis*” (meaning good enough) and “*facto*” (meaning doing or making), can be interpreted as the fulfillment or adequacy of something. In terms of customer satisfaction, it refers to a person's feeling of pleasure or disappointment resulting from comparing the perceived performance of a product (or outcome) with their expectations. If the performance fails to meet expectations, the customer will be dissatisfied. If the performance meets expectations, the customer will be satisfied. If the performance exceeds expectations, the customer will be very satisfied or even happy.



The theory of customer satisfaction encompasses various approaches developed by experts in management, marketing, and consumer psychology. One of the leading theories is the Expectancy-Disconfirmation of Performance Model, proposed by Oliver (1980). This theory suggests that customer satisfaction is formed by comparing customers' expectations of a product or service's performance with their perceptions of its actual performance. If the actual performance exceeds expectations, customers will feel satisfied. However, if the actual performance is lower than expected, customers will feel dissatisfied. Another relevant theory is the Expectation-Confirmation Theory, also proposed by Oliver (1980), which emphasizes that customer satisfaction is shaped by a comparison between prior expectations and actual experiences after consuming a product or service. If the experience meets or exceeds expectations, customer satisfaction occurs. If the experience falls below expectations, satisfaction may decrease.

According to Kotler & Keller (2012), satisfaction is a feeling of happiness or disappointment that arises after comparing the perceived performance of a product with the expectations a consumer has. If performance meets expectations, consumers are satisfied. If performance exceeds expectations, consumers are very satisfied or happy. Customer satisfaction is based on the consumer's belief that using a particular company's product has met their expectations. Tse and Wilton (in Tjiptono, 2015) define customer satisfaction as a response to the evaluation of perceptions of the difference between pre-purchase expectations and actual product performance after use.



As Richard Oliver explains, satisfaction is a response to the fulfillment of consumer needs, where the level of satisfaction can vary from one person to

another (Irwan, 2002). From the definitions above, it can be concluded that customer satisfaction is a positive emotion, assessment, and feeling that consumers experience when their expectations are met, or when the value received exceeds their expectations. If consumers receive more than they expected, they will feel satisfied; conversely, if they receive less or the same as expected, they will feel neutral or dissatisfied.

To achieve customer satisfaction, companies must create and manage systems that attract new customers and retain existing ones. Building customer satisfaction is central to achieving long-term profitability. Satisfaction is the difference between expectations and performance. If expectations are high but performance is mediocre, satisfaction will not be achieved, and customers are likely to feel disappointed. On the other hand, if performance exceeds expectations, satisfaction increases, as consumers' experiences continue to improve. Ultimately, whether a buyer is satisfied after their purchase depends on how the performance of the product or service compares to the buyer's expectations.

2.1.3.2. Factors Affecting Customer Satisfaction

According to Kotler & Keller (2012), there are five key factors that companies must consider in determining the level of customer satisfaction:

1. Product Quality

Consumers will feel satisfied if their evaluation of the product indicates that it is of high quality.

2. Service Quality

For service industries, consumers will feel satisfied if the service they receive meets or exceeds their expectations.



3. Emotional Factors

Consumers often feel proud and gain confidence when using products from brands that are admired by others. This sense of satisfaction is not only based on the product's quality but also on the social value it provides, which contributes to the consumer's overall satisfaction with a particular brand.

4. Price

Products of similar quality but at a relatively lower price provide greater value to consumers, which can lead to higher satisfaction.

5. Cost

Consumers tend to be satisfied when they do not have to incur additional costs or invest extra time to obtain a product or service.

Handoko (2017) also identifies five factors that are essential in determining customer satisfaction:

1. Product Quality

High-quality products are more likely to result in customer satisfaction.

2. Service Quality

Consumers feel satisfied when the service they receive aligns with their expectations.

3. Emotional Factors

Consumers experience a sense of pride and confidence when they use products that others find impressive, contributing to their overall satisfaction.

4. Price

Affordable products with high quality offer significant value to consumers.



5. Cost

Consumers appreciate products and services that do not require additional expenses or time, leading to greater satisfaction.

2.1.3.3. Indicators of Customer Satisfaction

Customer satisfaction is a condition where consumers' needs, desires, and expectations are fulfilled through the products they consume (Gaspersz, 2005). Broadly speaking, satisfaction can be described as the feeling of pleasure or disappointment a person experiences when comparing their expectations with the actual performance (or results) of a product. Hawkins and Lonney (2003) identify three dimensions of consumer satisfaction:

1. Expectation Conformity

This dimension evaluates satisfaction based on the alignment or disparity between customers' expectations and the actual performance of the company, rather than being directly measured.

2. Intention to Revisit or Reuse

Satisfaction is assessed by determining whether customers express a desire to repurchase or utilize the company's products or services in the future.

3. Willingness to Recommend

Satisfaction is gauged by asking whether customers are inclined to recommend the product or service to others, such as family, friends, or colleagues.



2.1.3.4 Functions of Customer Satisfaction

According to Tjiptono (2016b), customer satisfaction holds significant importance for businesses due to the following functions:

1. Persuasive Power of Word of Mouth

Satisfied customers serve as powerful advocates for a business. Their positive word-of-mouth recommendations act as an effective strategy for attracting new customers.

2. Reduction in Price Sensitivity

Satisfied and loyal customers tend to prioritize service quality and overall experience over price. This often leads to reduced sensitivity to pricing during individual purchases.

3. Indicator of Future Business Success

Customer satisfaction is a reliable predictor of long-term business performance. A high level of customer satisfaction signals the potential for a strong reputation and sustained success in delivering excellent service.

4. Economic Benefits of Retaining Customers

Retaining existing customers is more cost-effective than attracting new ones. Customer satisfaction contributes to higher retention rates, offering substantial economic advantages for businesses.

2.1.3.5. Customer Satisfaction Strategy

According to Tjiptono (2016b), there are four main strategies for measuring customer satisfaction:

1. Complaints and Suggestion System

Companies provide customers with the opportunity to share suggestions, criticisms, opinions, and complaints. This can be facilitated through tools like suggestion boxes, comment cards, toll-free hotlines, websites, and other feedback



3.

2. Customer Satisfaction Surveys

Conducting surveys allows companies to receive direct feedback and responses from customers, demonstrating that customer opinions are valued. These surveys can be carried out via post, email, or face-to-face interviews.

3. Ghost Shopping

Companies hire ghost shoppers to pose as customers and evaluate the company's services and those of its competitors. These ghost shoppers provide detailed reports about their experiences, highlighting the strengths and weaknesses of the company's services compared to competitors.

4. Lost Customer Analysis

Organizations contact customers who have stopped purchasing or switched to competitors to understand the reasons behind their departure. Insights gained help companies implement improvements to address identified issues.

In addition, Tjiptono (2015) notes that dissatisfied customers may respond in different ways. Their reactions can generally be categorized into three types:

1. Voice Response

Customers directly complain to the company or request compensation from the company or its distributors.

2. Private Response

Customers express dissatisfaction privately, such as sharing negative experiences with friends, family, or colleagues.

3. Third-Party Response

Customers seek external help by lodging complaints with legal entities, consumer organizations, or mass media, or pursuing legal action against the company.



2.2. Previous Research

Table 2.1 Previous Research

| No. | Researcher | Title | Research Variable | Results |
|-----|-----------------------------------------|-----------------------------------------------------------------------------------------------------------|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Wirdayani Wahab (2017) | <i>Pengaruh Kualitas Pelayanan terhadap Kepuasan Nasabah Industri Perbankan Syariah di Kota Pekanbaru</i> | a. Service quality b. Customer satisfaction | Based on the study's findings, it is evident that among the five service quality factors influencing customer satisfaction in Islamic Banking in Pekanbaru City, the reliability variable has the least impact. Therefore, it is recommended that the bank's leadership prioritize efforts to enhance reliability to improve overall customer satisfaction. |
| 2. | Januar E. Panjaitan (2014) | <i>Pengaruh Kualitas Pelayanan terhadap Kepuasan Pelanggan pada JNE Cabang Bandung</i> | a. Service quality b. Customer satisfaction | The test results indicate that the service quality variables, encompassing reliability, assurance, tangibles (physical evidence), empathy, and responsiveness, have a significant collective impact on customer satisfaction. This is evidenced by a significance value (P-value) of 0.003, which is less than the threshold of 0.05. |
| 3. | Alfi S. Lubis & Nur R. Wirdayani (2017) | <i>Pengaruh Kualitas Pelayanan (Service Quality)</i> | a. Service quality b. Customer satisfaction | The study results indicated that both partially and simultaneously, there was a positive and significant effect |



| No. | Researcher | Title | Research Variable | Results |
|-----|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | <i>terhadap Kepuasan Pelanggan PT. SUCOFINDO Batam</i> | | on customer satisfaction at PT. SUCOFINDO Batam. |
| 4. | Setiawan Assegaff (2016) | The Effect of Service Quality to Customer Satisfaction by Using Internet Banking Service in Jambi | a. Service quality b. Customer satisfaction | This study discovered that factors such as banking services product quality, online customer service quality, online information service quality, and the overall quality of internet banking services have a significant impact on customer satisfaction when using internet banking services. |
| 5. | Asyraf Afthanorhan, Zainuddin Awang, Norfadzilah Rashid, Hazimi Foziah, Puspa Liza Ghazali (2019) | Assessing the Effects of Service Quality on Customer Satisfaction | a. Service quality b. Customer satisfaction | The findings indicate that service quality has a significant influence on customer satisfaction. Among the dimensions of service quality, the library environment and general service were identified as having both high importance and a strong performance index. The implications of these results for future research and practical applications were also explored. |
| | : Phan & Thu- | The Influence of Perceived | a. Customer satisfaction | The findings of the research indicate that delivery quality |



| No. | Researcher | Title | Research Variable | Results |
|-----|------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Hang Le (2023) | Price and Quality of Delivery on Online Repeat Purchase Intention: The Evidence from Vietnamese Purchaser | b. Perceived value c. Perceived price d. Repeat purchase intention | and perceived price influence perceived value, but do not directly affect customer satisfaction. On the other hand, perceived value has a direct impact on repeat purchase intention, both directly and indirectly through satisfaction. Online stores should focus on improving order processing time, packaging efficiency, and collaborate with shipping companies to enhance delivery quality. |
| 7. | M. Fikri Ashari, Zulkifli Musannip, Efendi Siregar & Abd. Halim (2023) | The Influence of Service Quality, Taste, and Perceived Price on Customer Loyalty by Mediating Customer Satisfaction | a. Service quality b. Price perception c. Customer satisfaction d. Customer loyalty | The findings of this study indicate that service quality does not have a significant positive impact on customer satisfaction, while price has a positive and significant effect on customer satisfaction. |
| 8. | Ibnu Zakaria, S. and Tri itti, S. R (2013) | <i>Analisis Faktor-faktor yang Mempengaruhi Kepuasan Konsumen terhadap</i> | a. Service quality b. Perceived price c. Brand image | Both service quality and price perception variables have a significant impact on customer satisfaction among Trans Jogja Bus users. Among these, service quality is the most dominant factor |



| No. | Researcher | Title | Research Variable | Results |
|-----|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | <i>Penggunaan Jasa Transportasi (Studi Kasus pada Penggunaan Bus Trans Jogja di Kota Yogyakarta)</i> | d. Customer satisfaction | influencing customer satisfaction. |
| 9. | Ni Luh Putu Apriliani, Ni Putu Nita Anggraini & Pande Ketut Ribek (2022) | <i>Pengaruh Persepsi Harga, Kualitas Pelayanan, dan Fasilitas terhadap Kepuasan Pelanggan pada Water Garden Hotel Candidasa Bali</i> | a. Perceived price b. Service quality c. Facility d. Customer satisfaction | The findings of this study suggest that perceived price and facilities do not have an impact on customer satisfaction at Water Garden Hotel Candidasa, while service quality does influence customer satisfaction at the hotel. |
| 10. | Agung Firatmadi (2017) | <i>Pengaruh Kualitas Pelayanan dan Persepsi Harga terhadap Kepuasan Pelanggan serta Dampaknya</i> | a. Service quality b. Perceived price c. Customer satisfaction | The results of this study indicate that service quality has a significant impact on customer satisfaction, while the price perception variable has only a minor effect on customer satisfaction. |



| No. | Researcher | Title | Research Variable | Results |
|-----|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | <i>terhadap Loyalitas Pelanggan</i> | | |
| 11. | David R. G. Palelu, Willem J. F. A. Tumbuan, & Rotinsulu J. Jorie (2022) | <i>Pengaruh Persepsi Harga dan Kualitas Pelayanan terhadap Kepuasan Konsumen Kamsia Boba di Kota Lawang</i> | a. Perceived price b. Service quality c. Customer satisfaction | Perceived price has a partial positive and significant effect on customer satisfaction, while service quality also has a partial positive and significant effect on customer satisfaction. Additionally, the simultaneous test shows that both price perception and service quality have a positive and significant impact on customer satisfaction at Kamsia Boba in Lawang City. |
| 12. | Arif Nurrahman, Achyar Eldine, & Lenny Muniroh (2019) | <i>Pengaruh Persepsi Harga dan Kualitas Pelayanan terhadap Kepuasan Konsumen</i> | a. Perceived price b. Service quality c. Customer satisfaction | The results of the research analysis using the SPSS data processing application, with the regression analysis equation $Y = 3.998 + 0.291 X_1 + 0.475 X_2$, indicate that the X_1 variable (Price Perception) has a coefficient of 0.291 and the X_2 variable (Service Quality) has a coefficient of 0.475. This suggests that both price perception and service quality have a positive impact on customer satisfaction. |

Processed by the author (2024).

