The Influence of Employee Performance on Customer Satisfaction, Trust, and Loyalty

Rony Abdillah
IAIN Purwekerto
ronyamanahajb@yahoo.com

Abstract

This article discusses about the influence of employee performance on customer satisfaction, trust, and loyalty. The findings of this study are: the reason for customers that may be more loyal to a service's brand is the recognition of their need by the service producers or sellers. Therefore, a customer may show greater brand loyalty in order to cultivate a satisfying relationship with the seller. The research will identify perceived service quality, consumer satisfaction, and trust that affect consumer loyalty. Researcher used structural equation model with the AMOS 4.01 program to calculate the effect of each variable. A model will be developed to describe these relationships.

Keywords: *perceived service quality, consumer satisfaction, trust, loyalty.*

INTRODUCTION

The role of employees, especially front-stage employees is very important to support the success of every company, especially companies engaged in the service sector. The reason is because employees have the ability to influence buyer perceptions. Employees are part of the service itself, so that for customers, employees function as communicators as well as representatives of the company's image. Employee failure to convey a good image to customers, will only have a negative impact on their perception of the company. Employee performance is demonstrated through the quality of services provided to customers so that companies based on their customers' perceptions can evaluate the quality of service employees, in addition to HR practices such as assessments from supervisors, co-workers, and superiors. At front-stage employees who are often used by salespeople, their work performance is assessed by looking at the level of growth and the level of customer movement. As stated by Handoko and Darmawan (2004, 39-44) that the indication of the success of the sales fleet of all salespeople simultaneously can be seen from the level of customer growth, while partially assessed through the performance of each salesperson.

Front-stage employees contribute to face-to-face sales. This form of sales creates a process of direct communication between customers and front-stage employees. Salespeople also act as human attributes that function as marketers to influence potential customers, and are obliged to satisfy customers' needs and desires. Market offerings from the service sector such as retail businesses and retailers, need to always monitor the quality of services provided by their employees to customers. Rapid growth occurs at retailers of products that are general or special. Retailers of general products such as hypermarkets and retailers of special products such as electronic shops that sell one product category.

This study aims to examine the effect of employee service quality according to customer perceptions of customer satisfaction (on employees), customer trust (to consumers), and customer loyalty (to consumers).

LITERATURE REVIEW

The literature on employee performance and its effects on customer-related outcomes such as satisfaction, trust, and loyalty is rich and multifaceted, drawing on frameworks such as the

Service-Profit Chain, relationship marketing, and service quality theories. The Service-Profit Chain model (Heskett, Sasser & Schlesinger, 1997) posits that employee capability, engagement, and performance drive customer perceptions, which in turn generate customer satisfaction and loyalty. In this tradition, empirical studies have repeatedly confirmed that employees who are able to deliver high quality service (through reliability, responsiveness, assurance, empathy etc.) enable greater customer satisfaction, which then fosters trust and loyalty. For example, research in Indonesia on e-service quality at a bank (BCA KCP Juanda Pekanbaru) shows that both e-service quality and trust significantly predict customer satisfaction, and satisfaction then positively affects loyalty.

Other studies have similarly found that service quality influences loyalty mainly via satisfaction and trust, reinforcing the mediating role of these constructs.

Several recent empirical works have examined more precisely how different dimensions of employee performance (such as customer-oriented behaviour, communication, responsiveness, technical competence) influence trust, satisfaction, and ultimately loyalty. In one study in the Kurdistan Region of Iraq, Budur & Poturak (2021) found that customer perception of employee performance had a positive effect on both satisfaction and loyalty, and that satisfaction mediated the relationship between employee performance and loyalty.

In Indonesia, Setyadi, Helmi, and Hidayat (2022) showed that employee performance positively impacts service quality, which then leads to customer satisfaction, which in turn drives loyalty; however, direct effects from performance to satisfaction or loyalty were not always significant.

Also, literature reviews (e.g., on the relationship between customer satisfaction and loyalty in Indonesian contexts) tend to show that satisfaction is a robust predictor of loyalty; trust is frequently included as a mediating or moderating variable between satisfaction and loyalty.

Despite this body of work, there remain gaps and unresolved questions that your research can address. First, many studies focus heavily on service quality as the antecedent, but less on internal employee performance dimensions (e.g., consistency, empathy, professionalism) in relation to trust. Second, the precise relationships and causal ordering between employee performance, satisfaction, trust, and loyalty are sometimes inconsistent: some show full mediation (meaning performance affects loyalty only through satisfaction/trust), others find partial or non-significant direct paths. Third, much of the literature is from banking, telecommunications, or fast-food contexts; fewer studies examine other sectors or across diverse regions (especially within Indonesia) with large samples. By situating your study within these debates—examining how employee performance influences customer satisfaction, and how satisfaction and trust jointly influence loyalty—you will contribute to refining theoretical models, clarifying mediation paths, and possibly offering evidence in under-studied settings.

METHOD

The data analysis technique used in this study is Structural Equation Model (SEM) which is a collection of statistical techniques that have the ability to test a complex set of relationships. The software used is AMOS 4.01, and is assisted by SPSS 11 software for data tabulation purposes. Data collection was carried out in the period October - December 2000 using a sampling technique with multistage purposive sampling, which was taken randomly at certain stages, but based on predetermined criteria. The research population was consumers of electronic products that bought at the Electronic Shop and Photo Camera in Purwokerto. This

study involved 120 respondents, but due to lack and incompleteness when filling out, only 114 respondents collected through data collection from respondents' questionnaires and interviews.

This research was conducted to answer three hypotheses based on the previous description discussed above. The three hypotheses are:

H1: variable employee performance according to customer perception has a significant positive effect on customer satisfaction (towards employees).

H2: variable customer satisfaction (towards employees) has a significant positive effect on customer trust (towards consumers).

H3: variable customer trust (towards retailers) has a significant positive effect on customer loyalty (to consumers).

In addition to these three hypotheses, this study also examines several indirect influences between variables, and compares them directly to influence. The definition of each variable is as follows:

1. Customer perceptions of employee performance are defined as subjective perceptions of customers regarding the quality of service shown by employees, which consists of four dimensions, namely reliability, empathy, assurance, and responsiveness.

2. Customer satisfaction is shown by the quality of service they feel and is characterized by a positive attitude towards employees and a desire to buy back.

3. Customer trust in retailers is a form of trust in retailers as a whole which is shown by two dimensions, namely recommending to others and unwillingness to switch brands.

4. Customer loyalty to retailers is a form of loyalty to the retailer as a whole which is shown by two important dimensions, namely increasing the number and frequency of purchases.

RESULTS AND DISCUSSION

The scope of marketing is very much determined by the marketing mix, which consists of four main components, namely product, price, promotion and distribution. A more specific application for service marketing causes the marketing mix to be expanded with three additional components, namely human, physical evidence, and process. Humans as components that play a role during the transaction process. Physical evidence is a space where services are transferred between the seller and the buyer. While the process is a procedure or mechanism related to service delivery.

Services have major characteristics that greatly influence the design of marketing programs, which are intangible, inseparable, varied, and easily vanished. The main differentiating factor for service companies is the quality of customer service. According to Payne (1993), customers are getting smarter with regard to their demands and demand increasing service standards. Currently service companies are aware of improving customer service to face competition in a highly competitive service environment.

To measure service quality, an approach is needed through a model of determining service quality and support from a general product quality determinant model. There are two models

that can be used as references, namely the eight-dimensional quality model (Garvin, 1993) and the service quality model (Parasuraman et al., 1988). Garvin's model states that product quality is determined by performance factors, features, reliability, conformance, durability, serviceability, aesthetics, and perceived quality. While the service quality models of Parasuraman, Zeithaml and Berry define five dimensions of service quality determinants, namely reliability, responsiveness, assurance, empathy, and tangibles. This model is often called SERVQUAL.

The SEVQUAL model is the result of research conducted on hundreds of companies in various service industries since 1985. In addition to SERVQUAL, Parasuraman and his colleagues also determined five advanced behavioral dimensions as outcomes, namely loyalty to the company, tendency to move, willingness to pay more, external responses and internal to the problem. Lots of research adapts the findings obtained by Parasuraman and his friends and they always connect the variable quality of service to customer satisfaction. The concept of customer satisfaction is also a concept that has developed since the 1970s. Oliver (1981) defines satisfaction as an attitude towards transaction results and satisfaction is expected to influence the continued behavior or loyalty of customers.

The company's efforts to provide the best for its customers so that what is expected by them in accordance with reality so they are satisfied and will form a positive consumption experience. Oliver (1981) links customer satisfaction to advanced behavior and customer loyalty is the most commonly used as a reference. Customer satisfaction is a mediator variable that connects variables of service quality, trust and customer loyalty. Costabile (1998, in Ferrinadewi and Djati, 2004) defines trust as a perception of reliability from the customer's point of view based on experience, or leads to the stage of transactions or interactions characterized by fulfilling expectations of product performance and achieving satisfaction.

Blackston (1992) states that trust is one component of the existence of customer relationships with brands. The proposition shown by Ferrinadewi (2004) is that trust is formed from customer satisfaction which then becomes the initial indication of customer loyalty. While customer loyalty is a stage of achievement that is profitable for the company which shows the consistency of the relationship between the customer and the company. This is because customer loyalty can reduce marketing costs and can attract new customers. In addition, customer loyalty causes the company to survive the competition of a very tight industry.

Confirmatory factor analysis is used to determine the validity and reliability of the indicators of each variable used in the model. After the model is analyzed through confirmatory factors, each indicator in the fit model can be used to define a latent construct, so that the overall model of the structural equation model can be analyzed. The processing results are as in Figure 1.

The dominant factors (indicators) in each variable are as follows: (a) The assurance factor in the customer perception variable (on employee performance) with a loading factor value of 0.8; (b) Factors on employee attitudes on customer satisfaction variables with a loading factor value of 0.85; (c) The factor of unwillingness to switch retailers / brands on the trust variable with a loading factor of 0.96; (d) Factor for repurchasing the loyalty variable with a factor loading value of 0.91.

The test of the model shows that this model is quite in accordance with the data used in the study as seen from the level of significance (P) of 0.76 and meets the requirements (> 0.05). The significance level of the chi-square model is 34.26 and the GFI index (0.95> 0.90), TLI (1.01> 0.95), CFI (1.00> 0.95), CMIN / DF (0.84 <2.00) and RMSEA (0.00 <0.08) are in the expected range as shown in Figure 1.

Chi-Square = 34.26 (fit); Probability =, 76 (fit); GFI =, 95 (fit); TLI = 1.01 (fit); CFI = 1.00 (fit); CMIN / DF =, 84 (fit); RMSEA = .00 (fit)

Figure 1. Structural Equation Model
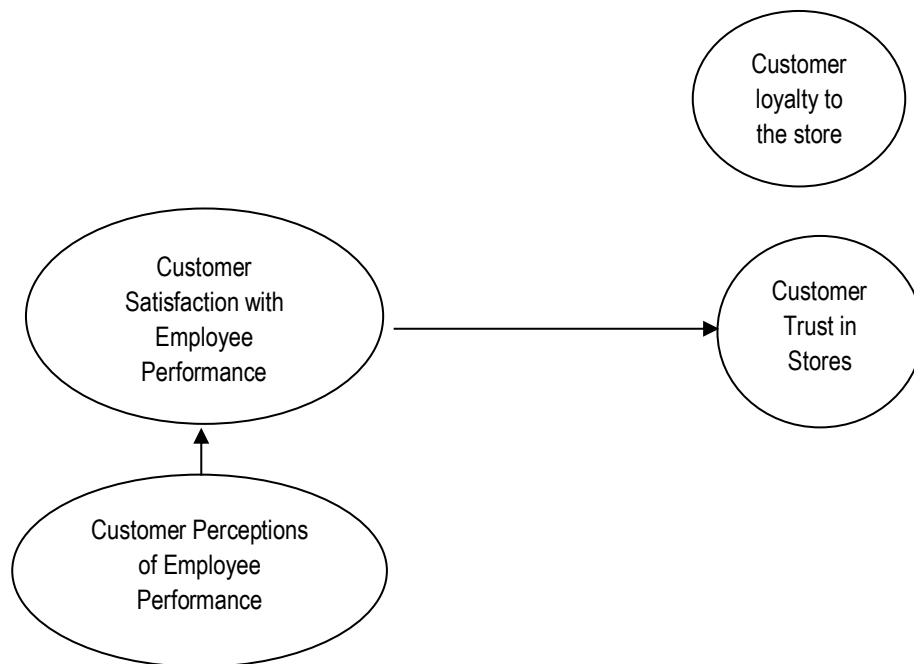
Tabel 1. Regression Weights

	Regression	Estimate	S.E.	C.R.	P
Satisfaction_Cst	← Performance_Empl	0,374	0,105	3,569	0,000
Trust	← Satisfaction_Cst	0,478	0,116	4,103	0,000
Loyalty	← Trust	0,841	0,135	6,212	0,000
X1.1	← Performance_Empl	0,859	0,114	7,530	0,000
X1.2	← Performance_Empl	1,009	0,116	8,700	0,000
X1.3	← Performance_Empl	0,967	0,106	9,120	0,000
X2.1	← Satisfaction_Cst	0,930	0,159	5,850	0,000
X3.1	← Trust	1,197	0,147	8,165	0,000
Y1.1	← Loyalty	0,951	0,073	12,987	0,000
Y1.2	← Loyalty	0,881	0,079	11,133	0,000

Table 1 is the result of data processing through AMOS 4.01 software which shows the testing of three research hypotheses. Based on the results in Table 1, it proves that all three hypotheses are acceptable. The P and C.R values of each relationship correspond to the specified limits.

The research model that was formed also explained the existence of significant direct and indirect influences, such as the following: (a) The direct influence between customer perception variables (on employee performance) on customer satisfaction variables (on employees) was 0.4. While the influence of the variable customer satisfaction (on employees) on the trust variable is 0.51, and the direct influence of the confidence variable on the loyalty variable is 0.632; (b) The indirect effect of customer perception variables (on employee

performance) on the trust variable is 0.204. The indirect effect of customer perception variables (on employee performance) on the loyalty variable is 0.13. While the indirect effect of the variable customer satisfaction (on employees) on the loyalty variable is 0.322.

Determination analysis of each influence of each variable is as follows: (a) Determination of customer perceptions (on employee performance) of customer satisfaction (towards employees) is 0.16 or 16%, while determination of 84% is determined by factors other; (b) Determination of customer satisfaction (towards employees) of trust is 0.26 or 26%, and determination of 74% is determined by other factors; (c) Determination of trust in loyalty is 0.4 or 40%, and determination of 60% is determined by other factors.

Based on the results of data analysis shows that the first hypothesis can be accepted. The first hypothesis states that employee performance variables according to customer perceptions have a significant positive effect on customer satisfaction (on employees). These results support the findings of Darmawan (2004) and Ferrinadewi and Djati (2004). Darmawan researched 119 regular passenger ferries from Ujung-Kamal crossing as respondents. The result is that service quality significantly influences passenger satisfaction. While Ferrinadewi and Djati researched 204 users of car repair services in Surabaya. His findings state that the dimensions of service quality (reliability, responsiveness, assurance, empathy) significantly influence consumer satisfaction. This study and the other two studies that have been mentioned, support the SERVQUAL model of Parasuraman and colleagues (1988).

In this study, respondents assessed the extent to which employee performance also determines the extent of their satisfaction. Retailers entrust their image to employees so that customers can judge through employee performance. The better the employee's performance, the more likely the customer is to be satisfied. According to Aaker (1996), satisfaction is the true measure of how consumers' acceptance and suitability of a brand, and satisfaction is the real measure for a service business, in addition to customer loyalty based on pleasant experience. In retailers of electronic products and motorized vehicles (motorbikes and cars), consumer perceptions are focused on the performance of salespeople. Whereas in the type of hypermarket, consumer perceptions are directed to the performance of the cashier and waiter.

Respondents expressed satisfaction, if the retailers represented by their employees can provide services in accordance with customer expectations. Employees are an important asset for service companies because of the ability of these elements to create differences that can shape customer satisfaction and loyalty. Employee performance, especially front-stage employees, greatly determines how the exchange process or value added takes place. Responsiveness, empathy, assurance, and employee reliability during the transfer process become a stimulus for the formation of consumer perceptions of service performance (Djati and Ferrinadewi, 2004). In accordance with the proof of the first hypothesis, customer satisfaction is formed, if employees at each retailer are high-performing to meet various levels of customer needs.

Optimal employee performance is strongly influenced by employee job satisfaction. Employee satisfaction affects employee commitment, as well as employee performance (Djati and Khusaini, 2003). In addition, satisfied employees greatly benefit the company so that they must be given incentives that can trigger morale and shape satisfaction in work. Unsatisfied employees will cause disappointment, loss of work motivation, decrease in work performance, or lead employees to leave their jobs. The impact is that companies are required to pay a fee to recruit new employees. Employee satisfaction and customer satisfaction originated from the

company's commitment to treat its employees well.

Then, the second hypothesis states that variable customer satisfaction (towards employees) has a significant positive effect on trust. Based on the results of data analysis shows that the hypothesis is acceptable. These results indicate that there is no effect of employee performance variables according to customer perceptions that are significant to the variable of trust through customer satisfaction (towards employees). The results of this study are the development of concepts from the findings of Ferrinadewi and Djati (2004) which provide empirical evidence that customer trust in the service sector is created from human dimensions such as responsiveness, assurance, empathy, and reliability. When linked to a brand, trust is a psychological variable that reflects the accumulation of assumptions that include credibility, integrity, and goodness that customers attach to the brand.

Behavioral responses that show trust include recommending retailers / brands to others and unwillingness to move retailers / brands. The findings of a study conducted by Darmawan (2004) stated that customer satisfaction significantly influences the unwillingness to switch brands. In addition, customer satisfaction affects the premium price. The effect of customer satisfaction is greater on the price premium than on the unwillingness to switch brands. Conversely, based on the proof of the second hypothesis in this study, the unwillingness to switch brands is more dominant than recommending brands to others. That is, respondents considered they would repurchase because of the perceived influence of employee performance that was considered good.

The third hypothesis is proven to be true which states that the trust variable has a significant positive effect on loyalty. Another result is that there is an indirect influence on employee performance variables according to customer perceptions and variables of customer satisfaction (towards employees) towards loyalty through trust. These results are related to the proof of the third hypothesis, supporting the findings of Ferrinadewi and Djati (2004) which states that human elements significantly influence customer loyalty through customer satisfaction and trust. The study concluded that the role of humans in the process of service transfer is very important, so that the role of reliable employees can influence loyalty through a sense of satisfaction and a sense of customer trust that results from employee performance.

Based on the third hypothesis, loyalty is significantly formed from employee performance, customer satisfaction, and trust. The intended loyalty is loyalty to retailers who have satisfied customers. According to Aaker (1996), brand loyalty is a key consideration when placing a value in every event of a purchase or sale related to a brand, because a brand that has very loyal customers can make it a reference estimate of sales flows and profits. A brand that is not based on loyal customers will be easily attacked by its competitors. The advantage of having loyal customers is that the cost of maintaining them is far cheaper than looking for new consumers. According to Aaker, there are several things that the company can do to increase brand loyalty from its customers, namely Frequent-Buyer Programs, Customer Clubs, and Database Marketing.

Frequent-Buyer Programs (FBP) are the company's efforts to directly award customers who show loyalty to the brand. One form of implementation is credit payments to customers so that relationships with retailers or stores are maintained for some time. For example, some large retailers of electronic products make it easy for customers to pay on credit with a fairly modest offer of interest. For companies engaged in financing (nonbank), the biggest financial contribution lies in financing electronic products (Jawa Pos, 2004). In addition, motorcycle

financing, cars to homes also have a significant contribution. Customer Clubs (CC) are a medium of communication between companies and customers regarding brand performance evaluation. Unlike the passive and limited FBP, CC shows a high level of involvement between corporate relationships and their customers. Database Marketing (DM) is arranged based on FBP and CC. The benefit of DM is to focus the brand on its market segment so that the target market can feel the specific relationship shown by the company. DM provides information about new products and special promotions to potential customers. DM is very important to maintain and maintain customers who are loyal to the brand. Frequent-Buyer Programs, Customer Clubs, and Database Marketing are forms of corporate efforts to foster relationships with customers, which are also referred to as relationship equity.

Marketing activities that are directed at maintaining customers can be expensive, and need to be carefully evaluated for the results. The most successful retention programs segment customers into different stages of profitability, and this helps identify the types and frequency of marketing activities that must be directed to them (Payne, 1993). The important thing is that the customer is the main capital for the company. The importance of the existence of loyal customers because it is a determinant of the survival of the company. When a customer decides to continue to use retail services, the better the relationship between them will be created. Every retailer should crave high customer loyalty and do everything possible to maintain it (Ferrinadewi and Darmawan, 2004). The most profitable customers are the most valuable, and to these customers most of the resources must be devoted.

CONCLUSION

The results show that employee performance has a significant effect on customer satisfaction. Furthermore, customer satisfaction has a significant effect on customer trust, and then customer trust has a significant effect on customer loyalty. Currently the focus of marketing has been directed to the interests of customers. Satisfied customers will be loyal and the company will profit from long-term relationships. The findings of this study indicate that marketing orientation for the benefit of customers is increasingly proven to be used as a basis for the formation of core competencies to face competition in the very tight service industry sector.

REFERENCES

Aaker, David., 1996, Building Strong Brand, The Free Press, Mc Millan, New York

Blackston, M., 1992, A Brand with an Attitude: A Suitable Case for the Treatment, Journal ofthe Market Research Society, Vol.34, No.3, pp. 231–241.

Darmawan, Didit., 2004, "Pengaruh Kualitas Layanan terhadap Kepuasan Penumpang Kapal Feri Penyeberangan Ujung-Kamal", Jurnal Ekonomi dan Bisnis, Vol.8, No.2, Juni, pp.39-44

Djati, S.Pantja, & Erna Ferrinadewi, 2004, "Pentingnya Karyawan dalam Pembentukan Kepercayaan Konsumen terhadap Perusahaan Jasa (Suatu Kajian dan Proposisi)", Jurnal Kewirausahaan dan Manajemen, Vol.6 No.2, pp.114- 122

Djati, S.Pantja, & M.Khusaini, 2003, "Kajian terhadap Kepuasan Kompensasi, Komitmen Organisasi, dan Prestasi Kerja", Jurnal Kewirausahaan dan Manajemen, Vol.5 No.1, pp.25-41

Ferrinadewi, Erna & Didit Darmawan, 2004, Perilaku Konsumen : Analisis Model Keputusan, Atmajaya Press, Yogyakarta

Ferrinadewi, Erna & S.Pantja Djati, 2004, "Upaya Mencapai Loyalitas Konsumen dalam Perspektif Sumber Daya Manusia", Jurnal Kewirausahaan dan Manajemen, Vol.6 No.1, pp.15-

26

Ferrinadewi, Erna., Brand Trust and Brand Loyalty: is there a link?, Jurnal EkonomiManajemen, Vol 3, No 2, pp.1-10

Garvin, D.A., 1993, "Competing on the Eight Dimensions of Quality," in Harvard Business Review Book: Keeping Customers. ed. Sviokla J and Shapiro B. pp. 119–37

Handoko, V. Rudi, & Didit Darmawan. 2004. "Pengaruh Kinerja Wiraniaga dan Karakter Demografinya terhadap Kinerja Pasar Perusahaan, Jurnal Ilmu-ilmu Sosial dan Humaniora, Edisi Juli, Vol.8, No.1, pp.63-72

Jawa Pos, Selasa 08 Februari 2005, Optimistis Kredit Elektronik

Oliver, Richard L., 1981, "Measurement and Evaluation of Satisfaction Processes in Retailing", Journal of Retailing, Vol. 57 No.3, pp.25-48

Parasuraman, A., V.A. Zeithaml, & L.L.Berry, 1988, "SERVQUAL : A Multiple-Item Scale for Measuring Consumer Perceptions of Service Quality ", Journal of Retailing, Vol. 64, No. 1, pp.12–40

Payne, Adrian., 1993, The Essence of Service marketing, Prentice Hall Int., UK