The Effect of Product Quality and Service Quality on Repurchase Intentions through Customer Satisfaction as A Mediator

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ABSTRACT

Purpose: Competition between companies in the insurance sector is very sharp. The consequences of this increasingly sharp competition will give rise to three possibilities facing a company, namely closing its business activities, continuing with the business activities it has carried out, or remaining superior and even growing. The aim of this research is to examine and explain the role of the influence of product quality and service quality on repurchase intentions through customer satisfaction as a mediator at PT Great Eastern General Insurance Household Insurance in Bali.

Design/methodology/approach: The analysis technique used is Structural Equation Model (SEM) using an analysis tool in the form of SmartPLS 3.2.9 software

Findings: The results of the analysis show that product quality and service quality on repurchase intentions through customer satisfaction have a positive and significant effect on repurchase intentions towards repurchasing householder insurance.

Research limitations/implications: This research provides implications for companies as material for consideration and evaluation in increasing repurchase intentions. Because this can significantly influence customers' repurchase intentions with Great Eastern Insurance.

Originality/value: This research is original

Paper type: Research paper

I. INTRODUCTION

Generally, policyholders want an insurance company to provide more benefits and there are also policyholders who want the right service products, faster, effective and efficient services. Customers who choose an insurance because of the trust factor. According to Winata et.al. (2017) trust is expected to maintain and improve the quality of service of each consumer to be able to generate a high level of trust, by paying more attention to friendly service so that consumers feel comfortable and feel trust in these services. Trust in insurance companies is an expensive thing because competition between insurance companies is getting higher at this time.

The increasingly fierce competition between insurance companies in seizing the number of existing customers because the level of repurchase intention is very low makes insurance management try to win the competition. The main thing that management must pay attention to is to meet consumer expectations regarding product quality and perceived service quality in order to survive and even dominate the market (Dedhy, 2017). The higher the level of product quality and service quality, the higher the level of repurchase intention. Repurchase intentions are increasingly popular to study because they lead positively to actual purchases and increased company revenue (Primanto & Dharmmesta, 2019).

It is important to identify the factors that influence the repurchase intention of insurance policies that are increasingly competitive. The company's goal of achieving competitive advantage can be obtained through efforts using the concept of repurchase intentions. Over the past few decades, the concept of repurchase intentions has

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played a central role in relationship marketing literature and for now requires profitability intentions (Martinez & Soyong, 2012).

This high quality product can help companies attract new customers and retain old customers for higher profits (Utami, 2017). Good product quality can lead to satisfaction. If the product received or felt by the customer matches or even exceeds customer expectations, then the product is considered quality.

Table 1. Sales Data of House Holder Insurance Policy

Tahun	2018	2019	2020	2021	2022
Premi (Rupiah)	*3.505*	*2.555*	*1.525*	*1.499*	*1.307*

Source: Insurance Data of PT Great Eastern Bali Branch in Million Rupiah

Looking at the data from 2018 to 2022, househoulder insurance production for the Bali branch has decreased due to a weakening of insurance policies that are no longer renewed and move to other insurance. Meanwhile, according to report data from the Indonesian General Insurance Association (AAUI) in 2022, that householder insurance experienced growth in 2022 with residential property insurance sales in the primary market growing positively by 13.58 per cent year on year in quarter 3 - 2022 and the phenomenon of PT Great Eastern on the sale of househoulder insurance.

Another observation made through discussions with marketers such as insurance agents and insurance brokerage companies in Bali is that PT Great Eastern's house holder insurance product has been around for a long time and has not changed much since 2017. So it feels quite timely to be able to make changes to the long-running product in order to adjust to dynamic market conditionsSebuah produk asuransi yang berkualitas tinggi merupakan sebuah produk jasa keuangan yang mampu unggul dalam bersaing dalam untuk memenuhi kebutuhan konsumennya. Menurut Harahap (2018) menyatakan bahwa produk berkualitas tinggi ini dapat membantu perusahaan menarik pelanggan baru dan mempertahankan pelanggan lama untuk mendapatkan keuntungan yang lebih tinggi.

The results of research from Ramadhan & Sentosa (2017) state that product quality has no significant effect on repurchase intentions. These results contradict the research of Aryadhe & Rastini (2016) which states that product quality and brand image have a positive influence on repurchase intentions. This is in line with the results of research by Yunus (2014), product quality has a significant and positive effect on repurchase intentions.

Ana & Sondari (2018) state that product quality is the ability of a product to demonstrate its function, this includes overall durability, reliability, accuracy, ease of operation and product repair, and other product attributes. Consumers want the products they buy to their liking or product quality. Arianty (2020) states that the higher the product quality, the higher the consumer's decision to make a visit. Ehsani (2015) states that product quality is the customer's perception of the overall quality or superiority of a product or service, in relation to its purpose, relative to alternatives.

Other research gaps (previous research gaps) are also behind this research, including research conducted by Hakim (2017) that service quality variables have a positive and significant effect on repurchase intentions. Meanwhile, research (Kim et al., 2017) shows that the variable quality of the company's image has a negative and significant effect on the repurchase intention variable, consumer repurchase intentions can be measured by the quality of a company, consumers will prioritise the quality of the product and the quality of the service. Jentrasaswin et al., (2018) state that the product quality variable has a positive and significant effect on repurchase intentions by customers who have the intention to repurchase is an indicator of customers who are satisfied with the quality of service and products provided by the company.

Product quality and service quality are not enough to maintain repurchases, especially in the current era. Companies that focus on product quality and service quality do not guarantee that customers will still have the desire to repurchase when the insurance policy is renewed. Solimun (2018) where the study results show that product quality has no influence on the effect of consumer intention and behaviour to come to repurchase a product.

Satisfaction is the state of an individual comparing the expected product or service with the one obtained (Kotler & Keller, 2018: 138). Customer satisfaction is a company tool in measuring the products and services offered to customers whether these products or services can fulfil customer desires (Eliasaph and Balarabe, 2016). Customers feel satisfied when what they get is in line with expectations, while customers feel dissatisfied if expectations are far different from what they get.

There are different views on quality measurement and assessment, subjective assessments still often occur, resulting in quality measurement sometimes still difficult to measure due to the absence of a fixed number to

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describe quality and the gap between the quality expected and the quality obtained by consumers (Kurniawati et al, 2017).

According to Kurniawati et al, (2017) perceived service quality has a significant positive effect on customer satisfaction and customer satisfaction also affects repurchase decisions. This is also in line with research from Juliana, et al (2015) which states that perceived quality has a significant positive effect on repurchase intentions. Anjarsari et al., (2018) The results showed that the satisfaction variable had a positive and significant effect on satisfaction. Fiazisyah & Purwidiari (2018) The results showed that the variables of product and service quality on repurchase intentions through mediation of customer satisfaction had a positive and significant effect.

In Zeithaml's research (2018) when customers feel the services and products received are as expected, it can be perceived that the quality provided by the agency is of high quality, but if the products and services received by customers are not in accordance with what is expected, the quality provided is considered not optimal or does not meet the quality standards set by customers.

Based on the research gap and the phenomena described in the background of the problem, this study aims to further examine the effect of product quality and service quality on intention stating that the customer satisfaction variable has a significant effect on repurchase intention of householder insurance through customer satisfaction as a mediator in Great Eastern insurance Bali branch. Thus the following hypotheses are proposed: H1: Product quality has a positive and significant effect on repurchase intention, H2: Service quality has a positive and significant effect on repurchase intention, H3: Product quality has a positive and significant effect on customer satisfaction, H4. Service quality has a positive and significant effect on customer satisfaction, H5. Customer satisfaction has a positive and significant effect on repurchase intentions, H6: Customer satisfaction is able to mediate the effect of product quality on repurchase intentions, H7: Customer satisfaction is able to mediate the effect of service quality on repurchase intentions.

II. METHODS

Associative research with quantitative methods is the basis of this research design. The research was conducted at PT Great Eastern Bali Branch located at Jaya Giri, Dauh Puri Klod. This study is to measure product quality and service quality on repurchase intention through customer satisfaction as a mediator in Great Eastern Insurance in Bali Province. The exogenous variables in this study are Product Quality (X1) and Service Quality (X2). The endogenous variable in this study is Repurchase Intention (Y). The intervening variable in this study is Customer Satisfaction (M). The population in the study were insurance policyholders for the 2021 - 2022 period at Great Eastern Bali Insurance. The sampling method used in this study is probability sampling. With a population of all policyholders from 2021 to 2022 at Great Eastern Bali totalling 1108 people, a sample was drawn using the Slovin formula with an error limit of 10%. Then the number of research samples obtained is as follows.

Table 2. Populaition Data

District/ city	Policyholder Population	Percentage	Slovin's sample size (n)
Denpasar	470	42	46
Karangasem	40	3,6	22
Buleleng	300	27	42
Gianyar	50	4,5	24
Tabanan	74	6,6	30
Badung	174	15	38
Total	1108	100	202

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Source: Insurance Data of PT Great Eastern Bali Branch

The data collection method used in this research is a questionnaire. In this study, the data analysis techniques used were descriptive statistics and inferential statistics. This research was conducted using the Structural Equation Model (SEM) method with the Partial Least Square (PLS) approach.

III. RESULTS AND DISCUSSION

To analyse the research model, the Partial Least Square (PLS) method was used with the SmartPLS 3.2.9 program tool. There are two basic model evaluations in this test, namely the outer model and the inner model. Inner model testing in PLS is done through bootstrap resampling with the following results:

Table 3. Testing Result Convergent Validity

	M (Customer Satisfaction)	X1 (Product quality)	X2 (Service quality)	Y (Repurchase intent)
X1.1		0.793		
X1.2		0.825		
X1.3		0.811		
X2.1			0.756	
X2.2			0.710	
X2.3			0.812	
X2.4			0.806	
Y1.1	0.862			
Y1.2	0.803			
Y1.3	0.739			
Y1.4	0.770			
Y2.1				0.864
Y2.2				0.830
Y2.3				0.820
Y2.4				0.758

Source: Processed Data, 2023

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The results of convergent validity testing in Table 3, show that all variable indicator outer loading values have a value greater than 0.50. Thus, it can be concluded that all indicators have met the requirements of convergent validity.

Table 4. Discriminant Validity Result

Research Variables	AVE	Roots AVE	Korelasi			
			Product Quality (X_1)	Service Quality (X_2)	Customer satisfaction (Y_1)	Repurchase intent (Y_2)
Product Quality (X_1)	0,655	0,810	1.000	0.439	0.679	0.687
Service Quality (X_2)	0,596	0,772	0.439	1.000	0.600	0.580
Consumer Quality (Y_1)	0,632	0,795	0.679	0.600	1.000	0.778
Repurchase intent (Y_2)	0,671	0,819	0.687	0.580	0.778	1.000

Source: Processed Data, 2023

Based on Table 4, it can be explained that the square root value of the AVE of the product quality variable (X1) is 0.810 and the correlation of the product quality variable is greater than the correlation of latent variables with other variables. The AVE square root value of the service quality variable (X2) is 0.772 and the correlation of the service quality variable is greater than the correlation of latent variables with other variables. Furthermore, the AVE square root value of the customer satisfaction variable (Y1) is 0.795 and the correlation of the customer satisfaction variable is greater than the correlation of latent variables with other variables. The AVE square root value of the repurchase intention variable (Y2) is 0.819, and the correlation of the repurchase intention variable is greater than the correlation of latent variables with other variables.

Thus, all variables in the tested model meet the discriminant validity criteria. The model is said to be good if the AVE of each variable is greater than 0.50. The output results show that the AVE value of all variables is greater than 0.50 so that the model can be said to be valid.

Table 5. Instrument Reliability Research Results

Variabel	Cronbachs Alpha	Composite Reliability	Description
Product quality (X_1)	0,738	0,851	Reliabel
Service quality (X_2)	0,776	0,855	Reliabel
Customer Satisfaction (Y_1)	0,807	0,872	Reliabel
Repurchase intent (Y_2)	0,836	0,890	Reliabel

Source: Processed Data, 2023

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The output results of composite reliability and Cronbachs alpha of product quality, service quality, customer satisfaction, and repurchase intention variables are all above 0.70. Thus, it can be explained that all variables have good reliability.

Table 6. Nilai R-square

Variabel	R-square	R-square Adjusted
Service quality (Y₁)	0,574	0,570
Repurchase intent (Y₂)	0,669	0,664

Source: Processed Data, 2023

Based on Table 6, the model of the effect of product quality and service quality on customer satisfaction provides an R-square value of 0.574 which can be interpreted that the variability of the customer satisfaction variable can be explained by the variability of the product quality and service quality variables by 57.4 per cent, while 42.6 per cent is explained by other variables outside the study. Furthermore, the model of the effect of product quality, service quality, and customer satisfaction on repurchase intention provides an R-square value of 0.669 which can be interpreted that the variability of the repurchase intention variable can be explained by the variability of product quality, service quality, and customer satisfaction variables by 66.9 per cent, while 33.1 per cent is explained by other variables outside the study.

To measure how well the observation value is generated by the model and also the parameter estimate, it is necessary to calculate the Q-square (Q2) as follows:

$$
\begin{aligned}
Q^2 &= 1\text{-}(1 - (R_1)^2)\,(1 - (R_2)^2) \\
&= 1\text{-}(1 - 0{,}574)\,(1 - 0{,}669) \\
&= 1\text{-}(0{,}426)\,(0{,}331) \\
&= 1\text{-}0{,}141 \\
&= 0{,}859
\end{aligned}
$$

The Q2 value has a value with a range of $0 < Q2 < 1$, where the closer to 1 means the better the model. The results of these calculations obtained the Q2 value is 0.859 so it can be concluded that the model has good predictive relevance. Thus, it can be explained that 85.9 percent of the variation in repurchase intentions is influenced by product quality, service quality, and customer satisfaction, while the remaining 14.1 percent is influenced by other variables not examined in this study.
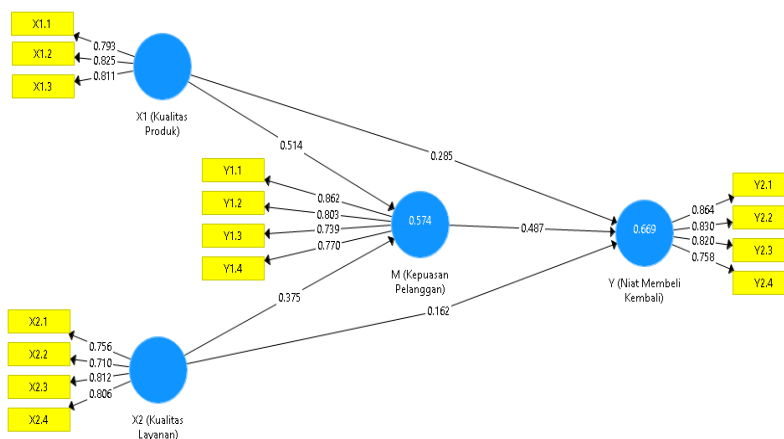

Figure 1 Empirical model of direct effect

Figure 1 explains that product quality has a direct effect on repurchase intention with a coefficient of 0.285, service quality has a direct effect on repurchase intention with a coefficient of 0.162. Product quality has a direct effect on customer satisfaction with a coefficient of 0.514. Service quality has a direct effect on customer

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satisfaction with a coefficient of 0.375. Customer satisfaction has a direct effect on repurchase intentions with a coefficient of 0.487.

Table 7. Test Results of Total Influence Between Variables

Path Coefficient Between Variables	Path Coefficient	t Statistics	P Value	Description
X1 (Product quality) -> Y (Repurchase intent)	0.285	4.174	0.000	Positively Significant
X2 (Service quality) -> Y (Repurchase intent)	0.162	2.518	0.012	Positively Significant
X1 (Product quality) -> M (Customer Satisfaction)	0.514	9.922	0.000	Positively Significant
X2 (Service quality) -> M (Customer Satisfaction)	0.375	7.130	0.000	Positively Significant
M (Customer Satisfaction) -> Y (Repurchase intent)	0.487	6.718	0.000	Positively Significant

Source: Processed Data, 2023

Hypothesis testing on the effect of product quality on repurchase intention results in a correlation coefficient of 0.285, so product quality has a positive effect on repurchase intention. The t Statistics value obtained is 4.174 (> t-critical 1.96) with a p value of 0.000 <0.050, so the effect of product quality on repurchase intentions is significant. Thus, hypothesis 1 (H1) which states that product quality has a positive and significant effect on repurchase intentions is accepted. The results of this study also support the results of research by Agiesta et.al. (2021) which shows that product quality has a positive and significant effect on repurchase intention. Similar research by Brusch et al, (2019), Anwar & Dastagir (2019) and Saidani & Arifin (2012) also shows that product quality has a positive and significant effect on repurchase intention.

Hypothesis testing on the effect of service quality on repurchase intentions results in a correlation coefficient of 0.162, so service quality has a positive effect on repurchase intentions. The t Statistics value obtained is 2.518 (> t-critical 1.96) with a p value of 0.012 <0.050, so the effect of service quality on repurchase intentions is significant. Thus, hypothesis 2 (H2) which states that service quality has a positive and significant effect on repurchase intentions is accepted. Similar research by Hongdiyanto et al., (2020) found that physical quality associated with service consumption, friendly staff behaviour stimulates positive customer emotions that influence the desire to reuse the product. According to Oh et al., (2017) stated that service quality has a positive and significant effect on repurchase decisions. And Parawansa's research (2018) also found that service quality has the greatest influence, so that service quality is maintained.

Hypothesis testing on the effect of product quality on customer satisfaction results in a correlation coefficient of 0.514, so product quality has a positive effect on customer satisfaction. The t Statistics value obtained is 9.922 (> t-critical 1.96) with a p value of 0.000 <0.050, so the effect of product quality on customer satisfaction is significant. Thus, hypothesis 3 (H3) which states that product quality has a positive and significant effect on customer satisfaction is accepted. This study supports the results of previous research by Waluya et al. (2016) that product quality has a positive and significant effect on customer satisfaction. The results of this study also support the results of Laura and Siska's (2017) research which shows that product quality has a significant positive effect on customer satisfaction.

Hypothesis testing on the effect of service quality on customer satisfaction results in a correlation coefficient of 0.375, so service quality has a positive effect on customer satisfaction. The t Statistics value obtained is 7.130 (> t-critical 1.96) with a p value of 0.000 <0.050, so the effect of service quality on customer satisfaction is significant. Thus, hypothesis 4 (H4) which states that service quality has a positive and significant effect on customer satisfaction is accepted. This study supports the results of previous research by Levy & Hino (2016) which shows the results that service quality has a significant positive effect on customer satisfaction. The results of this study also support the results of Tuan's research (2012) which shows that service quality has a significant positive effect on customer satisfaction. High service quality inspires customers to keep using the company's brand. It can be attributed to a brand that reflects the results of a long-term relationship between customers and service providers determined by service quality. Similar research by Jahanzeb et al., (2017), Wijayasari & Mahfudz (2018), Nathadewi & Sukawati (2019) which found that service quality has a significant positive effect on customer satisfaction..

Hypothesis testing on the effect of customer satisfaction on repurchase intention results in a correlation coefficient of 0.487, so customer satisfaction has a positive effect on repurchase intention. The t Statistics value is obtained 6.718 (> t-critical 1.96) with a p value of 0.000 <0.050, so the effect of customer satisfaction on repurchase intentions is significant. Thus, hypothesis 5 (H5) which states that customer satisfaction has a positive and significant effect on repurchase intentions is accepted. This research supports the study conducted by Kazmi et al., (2016) which found that customer satisfaction has a positive and significant effect on repurchase intentions. Individual purchasing decisions on a particular brand occur after an in-depth evaluation, so that individuals who have positive feelings towards certain brands can increase repurchase intentions.

Table 8. Recapitulation of Mediation Variable Test Results

Mediation Variable	Effect				Information
	(A)	(B)	(C)	(D)	
Product Quality (X1) → Customer Satisfaction (M) → Repurchase intent (Y)	0,251 (Sig.)	0,285 (Sig.)	0,514 (Sig.)	0,487 (Sig.)	Partial Mediation
Service quality (X2) → Customer Satisfaction (M) → Repurchase intent (Y)	0,182 (Sig.)	0,162 (Sig.)	0,375 (Sig.)	0,487 (Sig.)	Partial Mediation

Source: Processed Data, 2023

Description : significant (Sig.) = t-statistic > 1,96 to a= 5%
: the indirect effect of the independent variable on the dependent variable
: the direct effect of the independent variable on the dependent variable
: the direct effect of the independent variable on the mediating variable
: the direct effect of the mediating variable on the dependent variable

Customer satisfaction is able to positively mediate the indirect effect of product quality on repurchase intention. This result is shown from the mediation test conducted, which shows that the effects of A; C; and D have a significant positive value, while the effect of B which is the direct effect of the mediating variable (customer satisfaction) on the dependent variable (repurchase intention) has a significant value. Thus, customer satisfaction is able to partially mediate the effect of product quality on repurchase intentions. Based on these results, it can be interpreted that the higher the product quality, the higher the customer satisfaction, so that in the end the repurchase intention will increase.

Customer satisfaction is able to positively mediate the indirect effect of service quality on repurchase intentions. This result is shown from the mediation test conducted, which shows that the effects of A; C; and D have a significant positive value, while effect B, which is the direct effect of the mediating variable (customer satisfaction) on the dependent variable (repurchase intention), has an insignificant value. Thus, customer satisfaction is able to partially mediate the effect of service quality on repurchase intentions. Based on these results, it can be interpreted that the higher the quality of service, it can increase customer satisfaction, so that in the end the repurchase intention will increase.

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The results of mediation testing with the VAF method in this study have met several requirements, namely, first, the direct effect is found to be significant (a) when the customer satisfaction variable (M) has not been included in the model. Second, after the customer satisfaction variable (M) is included in the model, the indirect effect (b x c) is also found to be significant. The paths, b and c, are also significant. Third, calculate the Variance Accounted For (VAF) with the formula: $\quad$ VAF $\quad = (0{,}514 \times 0{,}487)/(0{,}535 + 0{,}514 \times 0{,}487)$

$$= 0{,}2503/0{,}7853$$
$$= 0{,}3187 \text{ or } 31{,}87 \text{ per cent.}$$

Because the VAF value (31.87 percent) is between 20 percent and 80 percent, it can be categorized as partial mediation. Thus, the sixth hypothesis which states that customer satisfaction mediates the influence of product quality on repurchase intentions is accepted. The results of this research support the study conducted by Aryadhe and Rasini (2016) which found that product quality through product quality has a positive and significant effect on repurchase intentions. Based on research conducted by Anggitan (2013), it shows that product quality has a direct positive influence on repurchase intentions and indirectly through consumer satisfaction.

The results of mediation testing using the VAF method in this research have fulfilled several requirements, namely, first, the direct effect was found to be significant (a) when the customer satisfaction variable (M) had not been included in the model. Second, after the customer satisfaction variable (M) was entered into the model, the indirect effect (b x c) was also found to be significant. Paths namely b and c are also significant. Third, calculate the Variance Accounted For (VAF) using the formula: $\quad$ VAF $= (0{,}375 \times 0{,}487)/(0{,}345 + 0{,}375 \times 0{,}487)$

$$= 0{,}1826/0{,}5276$$
$$= 0{,}3461 \text{ atau } 34{,}61 \text{ persen.}$$

Because the VAF value (34.61 percent) is between 20 percent and 80 percent, it can be categorized as partial mediation. Thus, the seventh hypothesis which states that customer satisfaction mediates the influence of service quality on repurchase intentions is accepted. The results of this research support the study conducted by Mukerjee (2018) where customer satisfaction plays a positive and significant role in mediating the influence of service quality on repurchase intentions. A service provider's long-term efforts to build brand personality and build positive emotional relationships with customers. Building customers' feelings of insurance to feel appreciated, proud, and offering facilities that suit the customer's personality can create loyalty. Emotional customer satisfaction is influenced by service quality.

IV. CONCLUSION

Based on the results of the research analysis and the results of the discussion in the previous chapter, the conclusions of this research are as follows: Product quality has a positive and significant effect on repurchase intentions. This means that the higher the product quality at Great Eastern Insurance in Bali Province, the higher the intention to repurchase Great Eastern Insurance household products in Bali Province. Service quality has a positive and significant effect on repurchase intentions. This means that the higher the quality of service at Great Eastern Insurance in Bali Province, the higher the intention to repurchase Great Eastern Insurance in Bali Province. Product quality has a positive and significant effect on customer satisfaction. This means that the higher the product quality at Great Eastern Insurance in Bali Province, the higher the customer satisfaction at Great Eastern Insurance in Bali Province. Service quality has a positive and significant effect on customer satisfaction. This means that the higher the quality of service at Great Eastern Insurance in Bali Province, the higher the customer satisfaction at Great Eastern Insurance in Bali Province. Customer satisfaction has a positive and significant effect on repurchase intentions. This means that the higher customer satisfaction with Great Eastern Insurance in Bali Province, the higher the customer's intention to repurchase Great Eastern Insurance in Bali Province. Customer satisfaction is able to positively mediate the indirect influence of product quality on repurchase intentions. Based on these results, it can be interpreted that the higher the quality of the product provided, the greater the customer satisfaction, so that ultimately the intention to repurchase will increase. Customer satisfaction is able to positively mediate the indirect influence of service quality on repurchase intentions. Based on these results, it can be interpreted that the higher the quality of service, the greater the customer satisfaction, so that ultimately the intention to repurchase will increase.

Based on the results of research analysis, discussion and conclusions, there are several suggestions that can be given, for further research it is recommended to add other variables besides product quality, service quality and customer satisfaction. For example, by adding price variables, promotions or other variables.

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