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The Effect of Service Failure and Service Recovery on PLN ULP Helvetia Customer Satisfaction with Customer Trust as Intervening Variables



Abstract: - PLN ULP Helvetia is one of the units of PLN UP3 Medan Utara which is responsible for serving the community in meeting electricity needs and providing the best performance in a sustainable manner, especially in administrative and electricity services. However, PLN ULP Helvetia has complaints from customers ranging from frequent power outages, as well as poor service from customer service whose slow response makes customers feel disappointed with the service which can lead to service failure.

The aim of this research is to analyze the influence of service failure and service recovery on PLN ULP Helvetia customer satisfaction with customer trust as an intervening variable. The population of this research is PLN ULP Helvetia postpaid electricity customers with a total sample of 397 samples using the Slovin formula. Data analysis was carried out with SEM (Structural Equation Modeling) using the SmartPLS 3 program.

The results of this research show that based on the indirect influence test, it was found that the service failure variable had a negative and significant effect on customer satisfaction through trust as an intervening variable with a coefficient value of -0.138 with a p value of $0.001 < 0.05$, the service recovery variable had a positive and significant effect on customer satisfaction through trust as an intervening variable with a coefficient value of 0.186 with p values $0.00 < 0.05$. Managerial implications and suggestions for improvement for PLN ULP Helvetia will also be explained at the end of this research section.

Keywords: Service Failure, Service Recovery, Customer Satisfaction, Customer Trust.

I. INTRODUCTION

PLN ULP Helvetia is one of the units of PLN UP3 Medan Utara which is responsible for serving the community in meeting electricity needs and providing the best performance on an ongoing basis, especially in administrative and electricity services. The total number of PLN ULP Helvetia customers in September 2023 is 93,275 customers with 41,817 postpaid customers and 51,458 prepaid customers.

PLN ULP Helvetia has complaints from customers ranging from frequent power outages, as well as poor service from customer service which is slow to respond, making customers feel disappointed with the service provided by PLN ULP Helvetia which can lead to service failures. Apart from that, missed communication occurs every time a bill is paid (customer service always sends the amount of the bill that has been paid) is also one of the customer complaints.

Based on the explanation above, a study was conducted with the title "The Effect of Service Failure and Service Recovery on Customer Satisfaction of PLN ULP Helvetia with Customer Trust as an Intervening Variable".

II. LITERATURE REVIEW

A. Service Management

Management means to organize, which organizes an activity as a whole so that it can be carried out or run properly, well and neatly completed. The word management is taken from Latin, namely the word manus which means hand and agree which means to do. When combined into the word managere which means to handle. Managere comes from English which shows the verb to manage and the noun management. People who carry out an activity are called managers. So that management is interpreted in Indonesian as a manager. Service management is the process of applying science and art to plan, implement plans, coordinate and complete service activities to achieve service goals.

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According to Kolter (2019), quality service management is a form of consumer assessment of the level of service received with the expected level of service. If the service received or felt is as expected, then the quality of service is perceived as good and satisfying. Matters concerning service are the human factors that serve, the tools or facilities used to provide services, the work mechanisms used and even the attitudes of each person who provides services and those served.

B. Service Failure

According to Tjiptono (2020), service failures are specific events in the form of disappointing service experiences according to customer perceptions. Service failure is any service error when a customer comes into contact with a company, which can increase negative emotions and customer dissatisfaction. Service errors are often unavoidable in companies with high levels of customers and gradual service. Furthermore, service failure is an activity that occurs as a result of the initial service received by the customer which does not match customer expectations.

The influence of service failure is very diverse, depending on individual and situational factors, and understanding service failure as a strategy is an important factor in determining the right service recovery strategy. The higher the level of service failure experienced by customers, the more difficult it is for service providers to carry out effective service recovery programs. Pertiwi (2021) suggests that customers may show greater tolerance for service failures when service personalization and customization lead to a social relationship with the service provider (e.g. regular communication, continuity with the same employee, recognition, and additional services). From a service provider's perspective, however, every service encounter presents an opportunity to satisfy consumers by improving existing levels of service quality, although understanding how to satisfy customers is much easier than gaining insight into their unpleasant behavior.

C. Service Recovery

Service recovery is defined as specific actions that organizations need to take to ensure that customers get a solution after a service failure that causes them disappointment or dissatisfaction. According to Michael et al. (2019) service recovery is an integrative action that companies take to rebuild customer satisfaction and loyalty after a service failure (customer recovery), to ensure that failure incidents drive learning and improvement processes (process recovery) and to train and reward employees for this purpose (employee recovery).

Hoffman and Bateson (2019) define service recovery as the reaction given by the organization to complaints filed by customers in order to provide satisfaction to these customers. With this business commitment, it is expected that consumer confidence in the sincerity, reliability, and reliability of the brand will increase. Because the customer is confident that the brand he chooses will meet his expectations, trust or confidence reflects his sense of security. Businesses can no longer risk losing clients simply by ignoring complaints. To make up for customer dissatisfaction, it is better for businesses to make relatively small financial sacrifices through service recovery programs or win-win marketing campaigns. Not only by reacting to complaints, but also, in particular, by handling during precarious situations.

Lovelock and Wright (2019) state that effective service recovery requires proper procedures for resolving problems and handling dissatisfied customers. Service recovery is a company's organized response to a service failure. It consists of all the steps that the service provider has taken to try to reverse the failure or disappointment and achieve satisfaction. According to some of the definitions given above, service recovery can be defined as the steps taken to address customer complaints and restore their happiness.

D. Customer Trust

Trust is a company's willingness to rely on a business partner. Trust depends on several inter-personal and inter-organizational factors such as competence, integrity, honesty and kindness. Building trust can be difficult in online situations, companies apply stricter rules to their online business partners than other partners.

Trust according to Griffin (2018) is a belief in someone's behavior in order to achieve a desired but uncertain goal and in a situation that has risks. Meanwhile, Andriani, et al. (2019) define trust as a psychological state in the form of a desire to accept unpredictable consequences based on positive expectations of the desires or goals of others.

Trust is a willingness to take risks in social relationships based on the feeling that other individuals can do something expected and will act in a mutually supportive pattern. Kotler and Armstrong (2019) state that trust is an expectation arising from a society where all members must act within the limits of norms, honesty and cooperation.

Based on some of these opinions, it can be concluded that trust is a belief where a person gets what is expected from others. Trust is the foundation of business. A transaction between two or more parties will occur if each of them trusts the other. This trust cannot simply be recognized by the other party, but must be built from scratch and can be proven. Trust is also an assessment of one's relationship with others who will carry out certain transactions in accordance with expectations in an environment full of uncertainties.

E. Customer Satisfaction

Customer satisfaction can be shown through the attitude of the customer after consuming the product obtained. Customer satisfaction will be seen from how well the product is obtained and felt. The better the quality of the product or service obtained the better customer satisfaction will be. The word satisfaction comes from the Latin "satis" which means good enough, adequate, and "factio" which means to do or make. Satisfaction can be interpreted as "an effort to fulfill something" or "make something adequate".

According to Kotler and Keller (2022), satisfaction is an assessment of the user's use of goods or services compared to expectations before their use. According to Umar (2019), customer satisfaction is the level of consumer feelings after comparing what is received and their expectations. A community/customer, if he is satisfied with the value provided by the product or service, is very likely to become a customer for a long time. the relationship between customers and the agency becomes harmonious, provides a good basis for repeat buyers (usage), creates customer loyalty and forms word of mouth recommendations, all of which benefit the company.

Decree of the Minister of Administrative Reform (KEPMENPAN) Number 14 of 2017 concerning General Guidelines for the Preparation of the Public Satisfaction Index for Government Agency Service Units states that the Public Satisfaction Index is: Data and information on the level of community satisfaction obtained from the results of quantitative and qualitative measurements of people's opinions in obtaining public services from the apparatus of public service providers by comparing their expectations and needs.

Based on these definitions, it can be concluded that customer satisfaction is a feeling that arises in accordance with expectations of the expected performance through the fulfillment of the needs and desires of the community. Public satisfaction with public organizations is very important because it is related to public trust.

F. Data Analysis Technique

1. Descriptive Statistical Analysis

Descriptive Statistical Analysis Descriptive statistics are research methods that attempt to describe and interpret objects as they are (Sangadji et al., 2019). The aim is to describe systematically the facts, objects or subjects as they are with the aim of describing systematically the facts and characteristics of the object under study precisely.

2. PLS (Partial Least Squares)

According to Abdillah and Jogiyanto (2019), Partial least square analysis is a variant-based structural equation analysis (SEM) that can simultaneously test the measurement model as well as test the structural model. According to Ghozali (2018) Partial Least Square (PLS) is a powerful analytical method because it does not assume the data must be with a certain scale measurement, small sample size.

III. RESEARCH METHODS

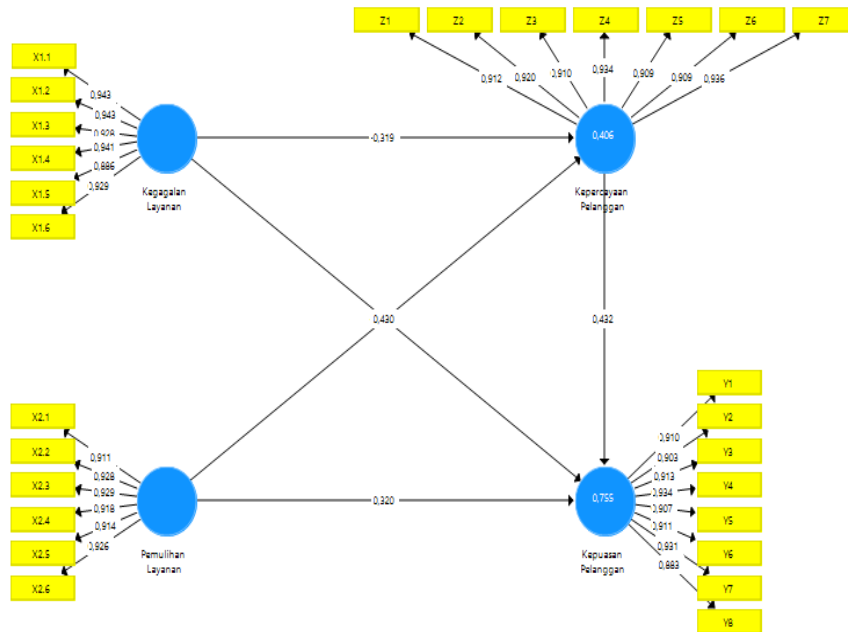
Type of Research

This type of research uses associative research with a quantitative approach. According to Sugiyono (2019), associative research is research that aims to determine the relationship between two or more variables to study, describe, and see the influence between variables formulated in the research hypothesis.

Quantitative method is a method based on the philosophy of positivism aimed at describing and testing hypotheses made by researchers. Quantitative research contains many numbers starting from collection, processing, and results that are dominated by numbers. (Sugiyono, 2019).

IV. RESEARCH RESULTS AND DISCUSSION

1. PLS Model Analysis Results



The figure above shows the first order analysis carried out on each research variable. This is done to see the suitability of each indicator in each dimension which is a reference for reducing research indicators. If the indicators of each dimension are reliable and precisely measure each dimension, then the research can more accurately predict the relationship between the variables that occur.

2. Direct Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Kegagalan Layanan > Kepercayaan Pelanggan	-0.319	-0.320	0.069	4.657	0.000
Kegagalan Layanan > Kepuasan Pelanggan	-0.304	-0.301	0.043	7.048	0.000
Kepercayaan Pelanggan > Kepuasan Pelanggan	0.432	0.432	0.059	7.277	0.000
Pemulihan Layanan > Kepercayaan Pelanggan	0.430	0.430	0.070	6.156	0.000
Pemulihan Layanan > Kepuasan Pelanggan	0.320	0.320	0.049	6.581	0.000

Based on the table above, the following results are obtained:

- The influence between service failure on customer trust and customer satisfaction is $p\text{values} = 0.00 < 0.05$ with a coefficient value of -0.319 and $p\text{values} = 0.00 < 0.05$ with a coefficient value of -0.304 , which means there is a negative and significant influence between service failure on customer trust and customer satisfaction.
- The influence between customer trust and customer satisfaction is $p\text{values} = 0.00 < 0.05$ with a coefficient value of 0.432 , which means there is a positive and significant influence between customer trust and customer satisfaction.
- The influence between service recovery on customer trust and customer satisfaction is $p\text{values} = 0.00 < 0.05$ with a coefficient value of 0.430 and $p\text{values} = 0.00 < 0.05$ with a coefficient value of 0.320 , which means there is a positive and significant influence between service recovery and customer trust and customer satisfaction.

3. *Indirect Effect*

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Kegagalan Layanan > Kepercayaan Pelanggan > Kepuasan Pelanggan	-0.138	-0.140	0.040	3.434	0.001
Pemulihan Layanan > Kepercayaan Pelanggan > Kepuasan Pelanggan	0.186	0.186	0.041	4.545	0.000

Based on the table above, the following results are obtained:

- The effect of service failure on customer satisfaction through customer trust is -0.138 with a p value of $0.001 < 0.05$. So it can be concluded that service failure has a negative and significant effect on customer satisfaction through customer trust.
- The effect of service recovery on customer satisfaction through customer trust is 0.186 with p values of $0.00 < 0.05$. So it can be concluded that service recovery has a positive and significant effect on customer satisfaction through customer trust.

V. CONCLUSION

- The RSquare value for the customer trust variable is 0.406. This means that the percentage influence of service failure and service recovery on customer trust is 40.6%, while the remaining 59.4% is explained by other variables not examined in this research.
- The RSquare value for the customer satisfaction variable is 0.755, this means that the percentage influence of service failure, service recovery and customer trust on customer satisfaction is 75.5% while the remaining 24.5% is explained by other variables not examined in this research.
- The influence of service failure on customer trust and customer satisfaction is pvalues = $0.00 < 0.05$ with a coefficient value of -0.319 and pvalues = $0.00 < 0.05$ with a coefficient value of -0.304, which means there is a negative influence and significant relationship between service failure and customer trust and customer satisfaction.
- The influence between customer trust and customer satisfaction is pvalues = $0.00 < 0.05$ with a coefficient value of 0.432, which means there is a positive and significant influence between customer trust and customer satisfaction.
- The influence between service recovery on customer trust and customer satisfaction is pvalues = $0.00 < 0.05$ with a coefficient value of 0.430 and pvalues = $0.00 < 0.05$ with a coefficient value of 0.320, which means there is a positive and significant influence between service recovery and customer trust and customer satisfaction.
- The effect of service failure on customer satisfaction through customer trust is p-value $0.001 < 0.05$ with a coefficient value of -0.138, which means that service failure has a negative and significant effect on customer satisfaction through customer trust.
- The effect of service recovery on customer satisfaction through customer trust is p-values $0.00 < 0.05$ with a coefficient value of 0.186, which means that service recovery has a positive and significant effect on customer satisfaction through customer trust.

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