The Effect of Service Failure and Word of Mouth on Customer Satisfaction Through Service Recovery on "Couple of Shoes" Laundry Services Medan

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Abstract. This research was conducted on "couple of shoes" laundry services registered with the Department of Cooperatives and SMEs in Medan City. This study aims to analyze how service failure and word of mouth on customer satisfaction through service recovery in the laundry couple of shoes. This research was quantitative. The approach used was associative causality. The number of samples in this study was 105 respondents. In accordance with the formulated hypothesis, in this study, statistical data analysis was measured using SmartPLS (Partial Least Square) software. Based on the tests that have been carried out, the direct effect significance test shows that the service failure variable has a positive and significant effect on customer satisfaction. Word of mouth cannot affect customer satisfaction.

Keywords: Customer Satisfaction · Service Failure · Service Recovery · Word of Mouth

1 Introduction

Today the development of the industry is increasingly comprehensive in all fields. Both goods and services industries continue to innovate and differentiate. The service industry has become a rapidly dynamic sector along with the times, some services are lost, and some are also appearing. For example, milk delivery services and film rental services are now extinct. On the other hand, other services have emerged, such as online motorcycle taxi services and laundry services. Laundry services have innovated. Initially, there were only clothes laundry services. Recently, there have been shoe laundry services. Shoe laundry or shoe washing services in Indonesia started to be extensively discussed in 2014. The shoe washing carrier enterprise commenced to bloom and turn into vast in almost all massive towns in Indonesia. This commercial enterprise may be formed as it cannot be separated from the consumptive nature of the community, who are inquisitive about sneakers and sneakers. The development of the carrier enterprise is also motivated by numerous factors, including the private environment. Today the development of the industry is increasingly comprehensive in all fields. Both goods and services industries

continue to innovate and differentiate. The service industry has become a rapidly dynamic sector along with the times, some services are lost, and some are also appearing. For example, milk delivery services and movie rental services are now extinct. On the other hand, other services have emerged, such as online motorcycle taxi services and laundry services. Laundry services have innovated. Initially, there were only clothes laundry services. Now, shoe laundry services have emerged. Shoe laundry or shoe washing services in Indonesia began to be widely discussed in 2014. The shoe-washing service industry is beginning to take off and is present in practically all of Indonesia's major cities. This company can be established since it is closely related to the community's propensity for consumption.

The development of the service industry is also [1] influenced by several factors, such as personal and environmental. The presence of more and more shoe laundry services has made this industry become attached to the community. Medan is a city where the development of this industry began to be seen. Shoe laundry, which has become a lifestyle today, has considerable public interest and has become a business opportunity that people are starting to look at. The emergence of the shoe laundry service industry creates competition in a new sector. These industrial companies enliven MSMEs in Medan, such as Couple of Shoes, the Paris laundry, dyos shoes cleaning, lajorta dry and clean, mozdeo, becks, easyshoescare, shoe wash, and many more. Many factors cause the size of the company, such as customer loyalty. Customer loyalty to keep buying services is a spring for the company's sustainability.

Competition for shoe laundry services is currently very competitive. Service providers are no longer forcing consumers constantly to buy their products because they will come by themselves to use the shoe laundry service itself. In addition, information technology is growing, as well as the emergence of many shoe laundry service providers in the market, making consumers more critical and careful in using the services themselves. To maintain market share, service providers must first know the needs and wants of consumers. Shoe laundry service providers must also understand how consumers make purchasing decisions and the post-use behavior of shoe laundry services [2].

Service Failure, shortcoming, or issue that arises while providing services is referred to as a service failure. The variables contributing to service failure depend on the human and environmental circumstances and the serious awareness of failure as a crucial determinant for choosing the best recovery approach. An error or error that occurs during service delivery and results in dissatisfaction has been defined as service failure from the client's perspective [3]. When drying shoes with a fan, there were several service failures in Couple of Shoes. If the power went out, this would delay construction and result in lost shoes. Consumers are actively involved in marketing through word-of-mouth. Word-of-mouth marketing is a form of marketing in which consumers are in control and participate as marketers to influence and accelerate marketing messages. The oldest type of advertising is word-of-mouth, in which consumers inform and sincerely advocate businesses, goods and services, and brands to others. Influencers are people who have successfully used goods and services and are compelled to share positive opinions online and offline. This WOM basis is a consumer-oriented approach because of its proximity, which makes it suitable to boost sales in various economic situations (boom, normal, or

crisis). Service recovery, in general, can be realized in three main ways where the first is procedural justice, the second can be realized with interactional justice, and the third can be realized with distributive justice. Customer satisfaction is a person's perception of their satisfaction or dissatisfaction with a product or service after comparing reality and expectations [1].

The results of the mediation test demonstrate that the association between service failure and customer satisfaction is considerably mediated by service recovery. According to the findings of the path analysis, factors that contribute to service failure have a negative and significant impact on customer satisfaction, while those that contribute to service recovery have a positive and significant impact on it. As can be observed, service failure and service recovery variables both have a 49.5% impact on customer satisfaction, with other variables having a 50% impact on the remaining 50%. 2019 [3].

Results of the study indicate that views of fairness did not significantly affect the complainant's degree of satisfaction with service recovery. Additionally, it was discovered that complainants' satisfaction with recovery services had little bearing on the outcomes of their conduct in terms of loyalty, trust, or word-of-mouth (WOM). According to the t-test, respondents who were initially pleased with the service did not express more loyalty, trust, or favorable word-of-mouth than those who were not [4]. The F-test results revealed that distributive justice, interactional justice, and procedural justice all simultaneously positively and substantially impacted customer satisfaction at Hotel Rama Candidasa. According to the findings of the correlation analysis, there is a very high and positive association between distributive justice, interactional justice, procedural justice, and customer happiness. Consumer pleasure is more valuable when procedural justice, interactional justice, and distributive justice are valued highly, and vice versa. According to the analysis's findings, distributive, procedural, and interactional justice each have a 64.4% impact on consumer satisfaction, with other aspects having a 35.6% influence [5]. The findings of this study suggest that service quality substantially impacts customer satisfaction since customer satisfaction increases with service quality.

Because it generates a café atmosphere that is not in line with consumer preferences and may impact the degree of consumer satisfaction, the store atmosphere has no bearing on customer contentment. The level of consumer satisfaction is significantly influenced by word-of-mouth because the more positive information consumers acquire through word-of-mouth and use in marketing operations, the greater the level of consumer satisfaction [6]. This research is mostly based on [3], and the word-of-mouth variable is added.

Couple of Shoes Medan is a shoe laundry service owned by Ojan Arbi, an alumnus of the Medan State Polytechnic majoring in energy engineering in 2019. At first, Ojan Arbi, who was originally just an overseas student who likes to buy used shoes, ventured to try to open a shoe laundry service in 2018. In 2021, Couple of Shoes had already been three years old. Couple of Shoes is in the field of shoe laundry services and is not alone. Even now, there have been many new shoe laundry services that are competitors of Couple of Shoes (Fig. 1).
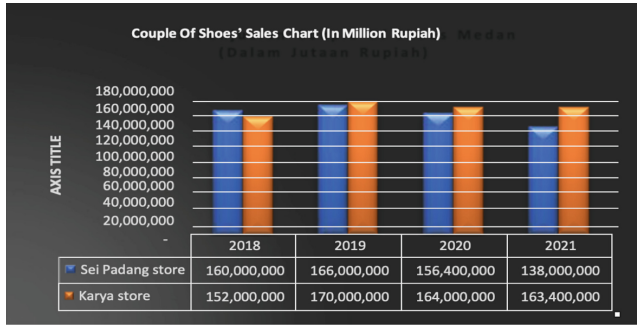
The scheme of this research is Fig. 2.
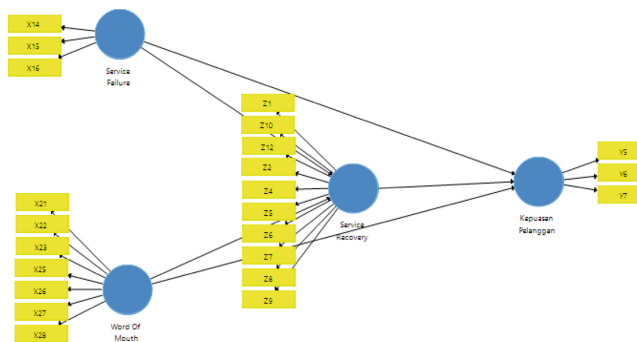
Fig. 1. Couple of Shoes sales chart

Fig. 2. Path Charts by Value Loading Factor

Couple of Shoes has experienced various problems that have affected the company's sustainability since 2019. There are also more and more competitors in the service industry, such as Save My Shoe, HK Shoes Cleaning, and Mozdeo. Then, with competitors, consumers have a choice with various considerations.

The company's sales tend to decline, as shown in the Sales chart above. So with the emergence of the problem of declining sales, researchers are interested in researching the problem. Sales are obtained from sales that are influenced by consumer purchasing decisions. To determine the level of purchasing decisions on Couple of Shoes laundry services, causal associative research was employed. Causal associative research is research that has the aim of knowing the correlation between two or more variables [7]. Then, a theory can be formed that can be helpful in explaining, predicting, and controlling a phenomenon.

2 Methods

A population is a group of objects or subjects with specific qualities and indicators set by the researcher to be studied, and then conclusions are drawn [7]. The population in this study are all people who have the potential to become consumers of Couple of Shoes Medan.

The sample is part of the number and characteristics possessed by the population [7]. The sample is part of the population elements to be studied. The basic idea of sampling is that by selecting part of the population elements, conclusions about the entire population are expected to be obtained [8]. The sampling method used in this study is non-probability, in particular, a purposive sampling technique. Purposive sampling is a sampling technique based on particular criteria, that is, people who are considered experts. So the number of indicators is $5 \times 24 = 105$ samples [9].

Primary data is obtained from initial sources, for example, people or individuals. The primary data used in this research is information in the form of problems or questionnaires regarding brand image, social media, and promotion of the decision to purchase shoe laundry services at Couple of Shoes Medan. The types of problems used in the questionnaire are closed-ended questions, that is, the form of problems with several alternative answers for respondents.

3   Results and Discussion

3.1   Descriptive Analysis

Based on the results in Table 1, the following results are obtained:

1. Service failure has a positive effect on customer satisfaction, with a path coefficient value (original sample) of 0.315 and significant with P-Values = 0.007 < 0.05.
2. Service failure has no effect on service recovery with a path coefficient value (original sample) of 0.106 and significant with P-Values = 0.343 > 0.05.
3. Word of mouth has no effect on customer satisfaction with a path coefficient value (original sample) of 0.088 and significant with P-Values = 0.448 > 0.05.
4. Word of mouth has a positive effect on service recovery with a path coefficient value (original sample) of 0.088 and significant with P-Values = 0.000 < 0.05.
5. Service recovery does not affect customer satisfaction with the path coefficient value (original sample) 0.136 and significant with P-Values = 0.112 > 0.05

Based on the results in Table 2, the coefficient of determination (R-Square) is 0.137, which means that financial knowledge, financial attitudes, and income can affect financial management behavior by 13.7%.

3.2   Discussion of Research Results

According to these findings, there is no connection between service failure and service recovery.

Based on the analysis that has been stated previously, it is evident that service failure has a positive and significant effect on customer satisfaction. Couple of shoes and word of mouth positively and significantly affect service recovery. It can be seen in Table 3 regarding rejected hypotheses.

Table 1. Descriptive Analysis

Heading level	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Value
Service Failure → Customer Satisfaction	0.298	0.295	0.123	2,420	0.008
Service Failure → Service Recovery	0.114	0.112	0.122	0.937	0.175
Service Recovery → Customer Satisfaction	0.136	0.148	0.113	1.206	0.114
Word Of Mouth → Customer Satisfaction	0.027	0.025	0.128	0.209	0.417

Table 2. R Square

	R Square	R Square Adjusted
Customer Satisfaction	0.137	0.111
Service Recovery	0.240	0.225

3.3 The Effect of Service Failure on Customer Satisfaction

This study provides evidence that poor customer service has an impact. The findings of the service failure hypothesis test, which showed that customer satisfaction had a positive directional influence of 0.298, support this. The value of the P-Values is displayed as 0.005. These findings suggest that service failure and customer satisfaction behavior have a positive and significant link.

3.4 Effect of Service Failure on Service Recovery

This investigation establishes that service recovery is unaffected by service failure. Results from the service failure hypothesis test show that this is the case, with service recovery showing a positive directional influence of 0.114.

Table 3. Hypothesis Results

No	Hypothesis	Result
1	Service failure partially affects customer satisfaction of Couple of Shoes Medan	**Hypothesis Accepted**
2	Service failure partially affects service recovery of Couple of Shoes Medan	**Hypothesis Accepted**
3	Service recovery partial effect on customer satisfaction in the Laundry Couple of Shoes Medan	**Hypothesis Accepted**
4	Word of mouth partial effect on customer satisfaction in the Laundry Couple of Shoes Medan	**Hypothesis Accepted**
5	Word of mouth partial effect on service recovery in the Laundry Couple of Shoes Medan	**Hypotheses Accepted**

3.5 The Effect of Service Recovery on Customer Satisfaction

This study establishes that customer happiness is unaffected by service recovery. The service recovery hypothesis test results, which showed that customer satisfaction had no impact because the P-Values value was 0.112, support this. These findings suggest no connection between customer happiness and service recovery.

3.6 The Effect of Word of Mouth on Customer Satisfaction

This study establishes that word-of-mouth referrals have no bearing on consumer satisfaction. The results of the word-of-mouth hypothesis test, which showed that customer happiness did not influence because the P- Values value was equal to 0.418, support this. According to these findings, consumer satisfaction and word-of-mouth recommendations have no link.

3.7 Effect of Word of Mouth on Service Recovery

This study establishes the impact of word of mouth on service recovery. The service failure hypothesis test results, which showed that customer satisfaction had a positive direction of 0.443, reflect this. The P- Values value is displayed as 0.000. These findings suggest that conduct and word-of-mouth have a favorable and significant link.

3.8 Reliability

Cronbach's alpha and DG rho are the statistics used in composite reliability or construct reliability (PCA). Composite reliability measures the dependability value of a construct, whereas Cronbach's alpha measures the lower limit of the reliability value of a construct. Generally speaking, composite reliability ratings and Cronbach's alpha values should be larger than 0.6. If the result of these measurements is greater than 0.60, the construct has a high level of reliability (Table 4).

Table 4. Reliability Results

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Customer satisfaction	0.853	0.897	0.910	0.771
Service Failure	0.866	0.871	0.918	0.789
Service Recovery	0.914	0.915	0.928	0.564
Word of Mouth	0.894	0.909	0.916	0.610

Table 5. Average Variance Extracted (AVE) Results

	Average Variance Extracted (AVE)
Customer Satisfaction	0.771
Service Failure	0.789
Service Recovery	0.564
Word Of Mouth	0.610

The term "Average Variance Extracted" (AVE) refers to the percentage of variance that may be accounted for by a given item as opposed to variance resulting from measurement error. The construct can be deemed to have strong convergent validity if the AVE value is above 0.5, according to the standard. This indicates that on average, the latent variable may account for more than half of the variance in the indicator (Table 5).

3.9 Discriminant Validity

Cross loading and a comparison of the AVE value with the square of the correlation between the constructs were used to evaluate the reflective measurement model's discriminant validity test. Higher indicator variables than the variance of other construct indicators can be explained by good discriminant validity.

As can be seen from Table 6, each variable's discriminant validity or loading factor has a stronger association with that variable than with any other variable. The same is true for each variable's indicators. This demonstrates that the indicators are placed properly on each variable.

3.10 Coefficient of Determination Test

From the calculation results, it is found that the influence of X1, X2 and Z on Y with an r-square value of 0.240 indicates that the variation in the value of Y can be explained by variations in the X1 and Z values of 24% or in other words the model is substantial (good). Furthermore, the effect of X1, X2 and X3 on Z with an r-square value of 0.137

Table 6. Discriminant Validity

	Kepuasan Pelanggan	Service Failure	Service Recovery	Word of Mouth
X14	0.332	0.883	0.191	0.260
X15	0.297	0.857	0.177	0.256
X16	0.279	0.924	0.288	0.291
X21	0.117	0.294	0.308	0.758
X22	0.154	0.302	0.347	0.813
X23	0.154	0.148	0.362	0.778
X25	0.222	0.315	0.365	0.785
X26	0.118	0.199	0.299	0.754
X27	0.087	0.162	0.318	0.769
X28	0.129	0.232	0.528	0.806
Y5	0.790	0.205	0.174	0.091
Y6	0.920	0.315	0.191	0.144
Y7	0.918	0.350	0.219	0.221
Z1	0.187	0.314	0.741	0.354
Z10	0.271	0.327	0.757	0.287
Z12	0.123	0.165	0.721	0.386
Z2	-0.015	0.093	0.769	0.365
Z4	0.231	0.086	0.731	0.339
Z5	0.124	0.169	0.779	0.399
Z6	0.123	0.178	0.729	0.365
Z7	0.274	0.317	0.803	0.327
Z8	0.123	0.191	0.761	0.378
Z9	0.178	-0.034	0.716	0.392

indicates that the variation in the value of Z can be explained by variations in the value of X1, X2 of 13.7% or in other ways. Said that the model is substantial (good) (Table 7).

Table 7. Result R

	R Square	R Square Adjusted
Customer Satisfaction	0.137	0.111
Service Recovery	0.240	0.225

3.11 Indirect Effect

See Table 8.

Table 8. Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Value
Service Failure → Customer Satisfaction	0.016	0.019	0.026	0.592	0.277
Service Failure → Service Recover y	0,000	0,000	0,000	0,000	
Service Recovery → Customer Satisfactio n	0,000	0,000	0,000	0,000	
Word of Mouth → Customer Satisfactio n	0.060	0.069	0.058	1.043	0.1492
Word of Mouth → Service Recovery	0,000	0,000	0,000	0,000	.

3.12 Managerial Implications

Based on the results of the study, it can be seen that service failure has a positive and significant effect on customer satisfaction in the couple of shoes. So that service failure is considered to be a factor in decreasing profits. Therefore, the managerial implications are as follows:

In terms of service failure due to unsatisfied customers, it can cause a significant decrease in the number of sales which will have a bad impact on company finances. Therefore, Couple of shoes must reduce errors and failures in service.

4 Conclusions

According to the findings of the research and conversations conducted for this study regarding the impact of service failure and word of mouth on customer satisfaction through service recovery in the couple of shoes laundry service, the researchers drew the following conclusions:

1. In the pair of shoes laundry service, service failure has a favorable and large impact on customer satisfaction.
2. Service failure has no effect on service recovery in couple of shoes laundry services.
3. Service recovery has no effect on customer satisfaction in the couple of shoes laundry service.
4. Word of mouth has no effect on customer satisfaction in the couple of shoes laundry service.
5. In shoe laundry services, word-of-mouth has a positive and significant impact on service recovery. References inside the article should be consistent and written in the same manner. Describe each reference in detail.

4.1 Suggestion

Base on the conclusions above, suggestions that can be in this study include:

1. Couple of shoes must be more selective in minimizing service failures.
2. Couple of shoes must provide more compensation when service failure occurs.

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