The Influence of Product Quality and Price on Customer Satisfaction Has Implications for Customer Loyalty

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ABSTRACT: *Economic growth and the growth of retail activity very rapidly, will affect many aspects of the economy, the need for staples, and other needs makes the distribution of merchandise will be busy. The businessman will make a strategy to complement the needs of the public or consumers. Today the retail business into the solution for entrepreneurs, both in terms of a more orderly distribution channels, will facilitate better delivery of goods to the stores, as well as to consumers directly. Consumers will see the quality of the product from retail stores they want to buy, as well as the price, if the price offered is in conformity with the retail stores of customer satisfaction. It is expected that there will be loyalty when satisfaction that arises in the minds of consumers.*

Keywords: Economic Growth, Market Tradisional to Modern Market and Qualityand Price

PART I

Background

The development of retail in Indonesia is actually divided into two, namely Traditional Retail and Modern Retail. Because of the times, many abandoned traditional retail by consumers. So the increase in retail business in Indonesia is increasing rapidly. The difference between traditional retail business and modern retail business is that traditional retail business is a business that is built and managed by the Government, regional government, regional private-owned business entity, including cooperation with private businesses such as shops, kiosks and tents owned / managed by small traders, medium, non-governmental or cooperative with small businesses, small capital with the process of buying and selling merchandise through bargaining. such as traditional markets, grocery stores and others. whereas modern retail is based on the definitions stated in Presidential Decree No. 112 / yr. 2007. Examples of business in retail include: minimarkets, supermarkets, hypermarkets, other stores businesses in the retail, among others: minimarket, supermarket, hypermarket, other stores.

Many of the differences are presented by traditional retail business and retail business. So now in districts or cities and even villages in Indonesia, "retail business" modern retail business first began ogled the businessmen, because it has a positive influence on the number of jobs and the benefits that it promises. In the last 6 years, the development of the modern market in the three formats above is very haigh.

CNN Indonesia - Central Statistics Agency (BPS) said, flagging retail sector impacting Termination (PHK) has not seen significant on Unemployment Rate (TPT) growth in the retail sector which consists of consumer goods packaging through third quarter (Year to date) only reached 2.7 percent. The growth was much lower than the sector growth annually in the last five years were able to reach around 11 percent. Usually the call, the sector is still over whelmed in absorbing labor force today is the agricultural sector, where the number of workers in the sector fell from 37, 77 million people in August 2016 to 35.93 million people figure in August 2017. According to Sairi, it is because most workers shifted to other sectors such as services or manufacturing.www.cnnindonesia.com

1.2   Identification of problems

Based on the background of the problems outlined above, we can conclude several problems that can be identified as follows:

a.   The consumer has not shown customer satisfaction and customer loyalty high on ratih bali.
b.   Bali Ratih not all have the appropriate product quality standards willingness / desire of the customer.
c.   Bali Ratih not all have prices at will with customers.

d. Retail Bali Ratih still have a great opportunity to further improve customer satisfaction and will next occur on customer loyalty.
e. Potential customers are not yet fully felt the customer satisfaction on products and prices given by Bali Ratih

1.3 Scope of Problem
From the background and identification of problems above can be obtained scope of the research problem as follows:
a. The object of this research is not entirely focused on the business online.
b. The object of the research is customers who purchase products at retail stores.
c.   This study is limited to the analysis of the influence of product quality, price to customer satisfaction that have an impact on customer loyalty.

1.4 Formulation of the problem
Based on this background and for ease of discussion, then the formulation of the problem is as follows
a. How to influence product quality to customer satisfaction?
b. How does the influence of price on Customer Satisfaction?
c. How to influence product quality on Customer Loyalty?
d. How does the influence of the Price Quality Customer Loyalty?
e. How to influence Customer Satisfaction to Customer Loyalty?

1.5 Research purposes
a. To analyze the effect of Product Quality to Customer Satisfaction
b. To analyze the effect of price on Customer Satisfaction
c. To analyze the impact of product quality on Customer Loyalty.
d. To analyze the effect of price on Customer Loyalty
e. To analyze the effect of Customer Satisfaction to Customer Loyalty

CHAPTER II

Literature review

3.1   Retail Store Marketing

Understanding retail according to Kotler (2012: 535) "Retailing includes all activities involved in selling goods or services directly to the opening of end consumers for non-business use." That is, Retail includes all activities involved in selling goods or services directly to end consumers for non-business use, they are the same as the definition of retail according to Berman and Evans (2010: 4) "Retail includes business activities involved in selling goods and services to consumers for opening, family, or household use. " That is, the Retail business includes activities involved in selling goods and services to consumers for personal, family or household use. Meanwhile, according to Levy and Weitz (2012: 20), Retail Mix is a set of retail discussions to meet customer needs and their reviews influence their purchasing decisions. The elements in the retail mix include types of promotional programs, store design, display merchandising, assistance to customers provided by salespeople, and convenience of store locations. Retail Mix is a series of decisions made by retailers to meet the needs of 26 buyers and influence purchasing decisions. These retail mix elements include promotional programs, store design, display of goods, assistance to buyers by sales reps, and convenience store locations. Retail Mix is a series of decisions made by retailers to meet the needs of 26 buyers and influence purchasing decisions. These retail mix elements include promotional programs, store design, display of goods, assistance to buyers by sales reps, and convenience store locations. Retail Mix is a set decisions made by retailers to meet the needs of 26 buyers and influence purchasing decisions. This element of the retail mix including promotional programs, store design, display of goods, aid to the buyer by the salesperson, and convenience store locations.

3.2   Product quality

3.2.1   Definition of Product Quality
According to Kotler and Armstrong in Bachriansyah (2011) reflects the product quality is the product's ability to carry out their duties which include durability, reliability or progress, strength, ease in packaging and product repair and other features.

3.2.2 Product level

According to Kotler and Keller (2013: 348) in planning market offers, marketers must look at five products. Each level adds greater customer value and the fifth part of the customer value hierarchy

1. At the basic value is the core benefits of the service or benefits that customers actually buy. Retail customers buy "select and sort". Buyers buying "hole" drill marketers need to see themselves as a benefit provider.

2. At the second level, marketers need to turn core benefits into basic products. So retail stores must pay attention to retail store decoration and equipment.

3. At the third level of the expected product marketer, prepare a set of attributes and conditions that are normally expected by the buyer when they buy this product. Retail customers want a store atmosphere that is clean, and lightweight, and neatly arranged products offered.

4. At the fourth level marketers prepare better products that exceed customer expectations. In developed countries, competition and brand positioning occur at this level.

5. At the fifth level there are product candidates, which include all possible improvements and changes that the product or offer may experience in the future. This is where companies look for new ways to satisfy customers and differentiate their offerings.

Send feedback
History
Saved
Community

3.3 Price (Tariff)

3.3.1 understanding Price

According to Kotler (2008: 345) price is the sum of all values given by customers to get the advantage of having a product in the form of goods or services.

According to Tjiptono (2008: 152) the assessment of the price of a product can be said to be expensive, cheap, or mediocre from each individual so it is not the same, because it depends on the perception of individuals who are motivated by the environment and community conditions. individual.

3.3.2 Price adjustment

Many factors affect the price, Kotler and Keller (2013) says there are some price adjustment strategies, including:

1. Pricing Geographic
   In pricing geography, companies decide how to give a price for its product to consumers who are in different locations and countries, include: affordability and price competitiveness
2. Discount Prices and Incentives
   Most companies will adjust the price and giving a discount or incentive for early payment, volume purchases, and purchases in the off-season.
3. Pricing Promotion
   Companies can use several strategies to stimulate early purchase, among other things:
a. Loss leader pricing, a reduction in the price of brand spending in order to compensate for the lower margins on products sold back.
b. Specially discounted prices (allowance), the rebate provided by the manufacturer or seller to the consumer at a given time.
c. Cash rebate (cashback), the cash discount is offered to customers in certain seasons.
d. Low-interest financing, that offer more flexible financing and low interest to attract the attention of consumers.
e. Reach payment or pemmbayaran period, that offers financing with a long period of time in order to reduce monthly payments.
f. Warranties or service contracts, namely the sale of the collateral mempromosian free or low cost.
g. Discounts psikolgis, namely the perceived pricing high enough to then offer products with higher pengheematan.

3.4 Customer Satisfaction
### 3.4.1   Understanding Customer Satisfaction

Kotler and Keller (2008: 177) note that satisfaction is a person's feelings of pleasure or disappointment arising after a comparison between perceptions / questions about the performance or results of a product and expectations - Expectations. Satisfaction is a function of perception / impression of performance and expectations. If performance meets expectations, the customer is not satisfied (not satisfied). If the performance is below expectations, the customer is satisfied (satisfied). If performance exceeds expectations, the customer is very satisfied and happy, so customer satisfaction requires balancing needs and wants (what needs and desires) with what is given (given).

3.5   Customer loyalty
3.5.1   Understanding Customer Loyalty

According to Griffin (2008: 5) definition of customer loyalty as a manifestation of the behavior of the unit - a unit of decision making purchases continue - going against the goods / services of a company that is selected.

Oliver in Vanessa (2007: 70) defines loyalty as a customer commitment to defend in depth to re-subscribe or re-purchase of products / services selected consistently in the future, although the influence of the situation and the business - marketing efforts mempunnyai the potential to cause a change in behavior.
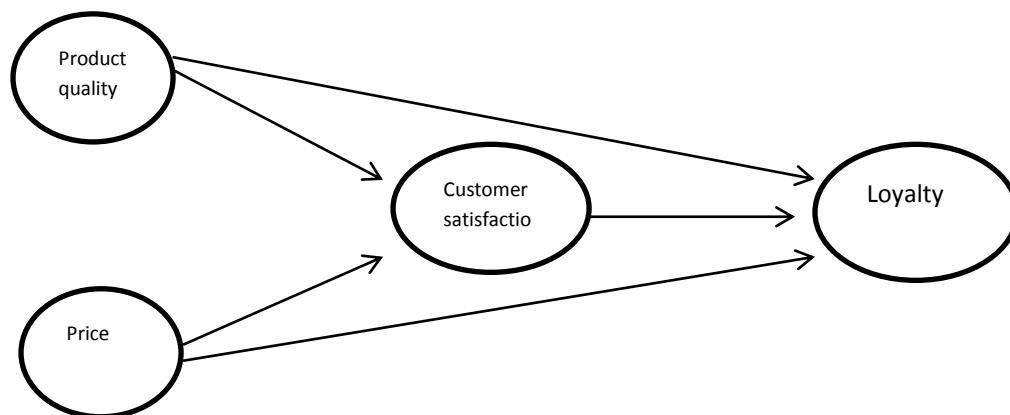
Figure 1. Framework

3.8   hypothesis

H1   : Product Quality berpengaruh to Loyalty
H2   : Price berpengaruh to Loyalty
H3   : Satisfaction effect on Loyalty
H4   : Product Quality effect on Loyalty Through Customer Satisfaction
H5   : Price affect the Loyalty Through Customer Satisfaction

CHAPTER IV

Research methods

4.1   Data analysis

Data analysis is part of the data testing process after the research data selection and collection stage. A study always requires interpretation and analysis of data, which is expected to ultimately provide a solution to the research questions on which the research is based. The analytical method chosen in this study to analyze data is to use the SEM (structural Equation Model), which is operated through the PLS program. Structural Equation Model, Structural Equation Model (SEM) is a set of statistical techniques that allow testing of relative relationships to be "complicated" simultaneously (Ferdinand, 2006, 155).

4.2 Data collection technique

a. Population

Population is a generalization region consisting of: objects / subjects that have certain qualities and characteristics defined by the researchers to learn and then drawn conclusions (Sugiyono, 2011, 61).

In this study the population to be taken is customers who have purchased products online based on Ratih Bali for six months starting from October 15, 2018 - April 2019. Based on the data the author obtained from the Jakarta Retail Store There are visitors who come are around 200 customers.

b. the sample

The sample is part of the number and characteristics possessed by the population. Hair et al in Ferdinand (2002.110) state that, the sample size must be in the SEM analysis technique is a minimum of 100 and a maximum of 200. Sugiyono (2011, 74) shows that the best sample size for multivariate size 5 to 10. The study used 30 indicators to use estimates based on the number of parameters obtained 100-200 sample size respondents.

CHAPTER V

Results and Discussion

convergent Validity

Convergent validity is used to determine instrument items that can be used as indicators of overall latent variables. The results of this test are measured based on the factor of loading the large value (external loading) of the indicator construct. The following test results are presented in the convergent validity table

Convergent Validity Testing Results Table

No.	variables	Indicator	*Outer Loading Factor*	Information
1		X1.1	0789	*valid*
		X1.2	0740	*valid*
		X1.3	0754	*valid*
	Product quality	X1.4	0539	*valid*
		x1.5	0574	*valid*
	Product Pricing	X1.6	0561	*valid*
		X2.1	0841	*valid*
		X2.2	0797	*valid*
		X2.3	0511	*valid*
		X2.4	0757	*valid*
		X2.5	0740	*valid*
		Z1.2	0836	*valid*
		Z1.3	0882	*valid*
		Z1.5	0907	*valid*
	Customer satisfaction	Z1.6	0711	*valid*
		Z1.7	0792	*valid*
	Customer loyalty	Y1.2	0844	*valid*
		Y1.3	0838	*valid*
		Y1.4	0867	*valid*
		Y1.5	0.814	*Valid*
		Y1.6	0.873	*Valid*
		Y1.7	0.795	*Valid*
		Y1.8	0.775	*Valid*

The table shows the whole outer loading factor has a value greater than 0.5. So that these measurements can be summed meets the requirements of convergent validity. Convergent validity of the measurement model using indicators reflective judged based on outer loading factor indicators that measure the construct. In this study there were five constructs by the number of indicators between 3 to 10 indicators with a scale of 1 to 5.

When the correlation coefficient is equal to 0.3 or more (smallest 0.3) then the item is valid instrument, and invalid if the correlation coefficient is less than 0.3 (Sugiyono, 2006) based on the loading factors above it is concluded that the construct which has a dominant loading factor above 0.5 have good convergent validity.

Test the validity of the testing method is also done by comparing the value of the root square root of average variance extracted (AVE) on any correlation between the construct with other constructs included in the model.

Tables AVE

	Average Variance Extracted (AVE)
Product Pricing	0656
Product quality	0585
Customer satisfaction	0608
Customer loyalty	0585

Source: Data processing by PLS, 2018

composite Reliability and Cronbach's Alpha

Besides the construct validity test, reliability test conducted also constructs measured by the composite reliability and Cronbach's alpha of blocks of indicators that measure the construct. Here are the results of testing of composite reliability and Cronbach's alpha of Smart PLS：

Table Composite Reliability and Cronbach's Alpha

	Cronbach's Alpha	composite Reliability
Product Pricing	0736	0851
Product quality	0876	0901
Customer satisfaction	0876	0901
Customer loyalty	0856	0903

Source: Data processing by PLS, 2018

Constructs declared reliable if the value of composite reliability above 0.70 and Cronbach's alpha above 0.60. From the results of the output SmartPLS above all constructs have a composite value reliability above 0.70. So we can conclude that the construct has a good reliability.

The measurement model for validity and reliability, the coefficient of determination for the model and the path coefficient equation model, can be seen in the following figure:

Image Display Results PLS Algorithm
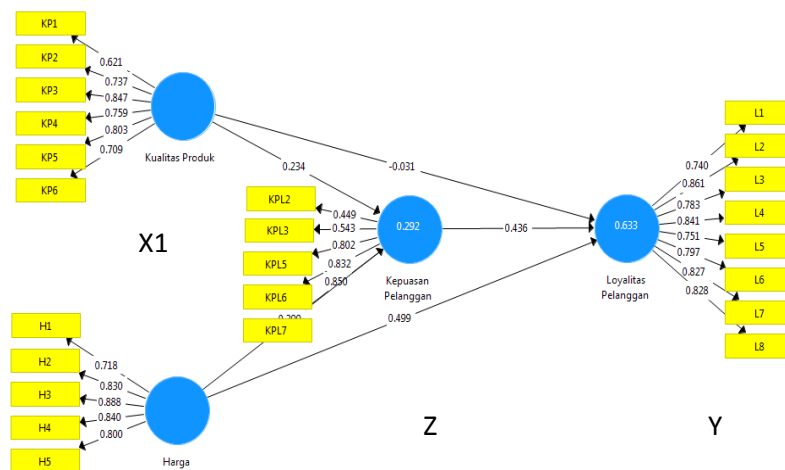
Source: researcher

Testing Structural Model (Inner Model)

Structural model in PLS evaluated using R2 for the dependent variable and the value of path coefficients for the independent variables were then assessed the significance based on the value of t-statistic of each path. The structural model of this research can be seen in the following figure:

PLS Results Display Image bootstrapping
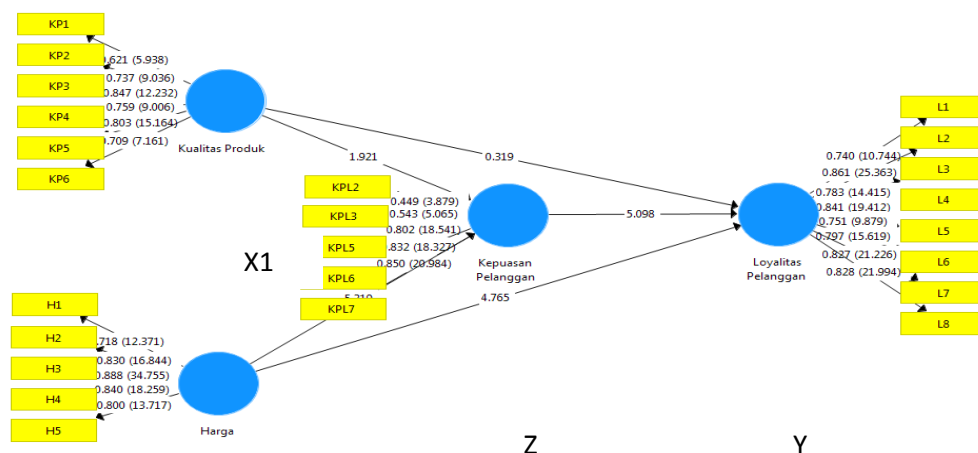
Rated R2 any endogenous variables in this study are shown in Table

Table R-square

	R Square	R Square Adjusted
CUSTOMER LOYALTY (Y)	0633	0617
CUSTOMER SATISFACTION (Z)	0292	0272

Source: Data processing by PLS, 2018

6.2.3 Calculation of Influence between Variables

Table Path Coefficients (mean, STDEV, t-Value)

	Original Sample (O)	*T Statistics*	*P Values*	*significance Level*
Quality Products -> Customer Loyalty	0031	0317	0752	> 0.05
Quality Products -> Customer Satisfaction	0234	1921	0050	<0:05
Price -> Customer Loyalty	0499	4,483	0000	<0:05
Price -> Customer Satisfaction	0399	5223	0000	<0:05
Customer Satisfaction -> Customer Loyalty	0436	4534	0000	<0:05

Latent Variable Correlation Table

	Product quality	Price	Customer satisfaction	Customer loyalty
Product quality	1	0422	0355	0402
Price	0422	1	0703	0497
Customer satisfaction	0355	0703	1	0672
Customer loyalty	0402	0497	0672	1

Based on the above table it can be seen that the measurement model is formed Model equation as below:

Z = 0.234X1 + 0.399X2

Y = 0.031X1 + 0.499X2 + 0.436Z

Where,

X1 = Variable Product Quality

X2 = Variable Price Products

Z = Variable Customer Satisfaction

Y = Variable Customer Loyalty

CHAPTER VI

DISCUSSION

6.1 Discussion

Steps that must be taken in the company to face such intense competition is to look for anything that affects customer satisfaction and then increases customer loyalty. With increasing customer satisfaction, it will make the company better able to survive with the ongoing competition. This research was conducted in retail training on the influence of product quality, price, customer satisfaction that has implications for customer loyalty, then conducted the following discussion:

Based on the results of statistical calculations, it can be concluded that the value of Original Sample Estimate Product Quality is 0.031 with a significance above 5% as indicated by the t-statistic value of 0.317 smaller than the t-table value of 1.98. This means that the construct of Product Quality has no direct impact on customer loyalty, it can be seen from the t-statistic value that is smaller than 1.98 which is equal to 0.031. Thus, the first hypothesis in this study was rejected. However, to build quality products for satisfaction the t-statistic value is still within the tolerance limit of 1.98 which is equal to 1,921. with a significance of less than 5%. Thus, the second hypothesis in this study was accepted.

Based on the results of statistical calculations, it can be concluded that the price construct has a direct effect on customer loyalty. That can be seen from the t-statistics above from the t-table value of 1.98 which is equal to 4.483. with a significance of less than 5%. Thus, the third hypothesis in this study was accepted. Then to construct prices Affecting customer satisfaction has a t-statistic value for 5223 that is greater than t-tables with a significance of 1.98 and has a value of less than 5% which means that the hypothesis in this study accepts four.Based on the results of statistical calculations, it can be concluded that customer satisfaction construct a direct impact on customer loyalty. It can be seen from the t-statistic greater than 1.98 which is equal to 4,534. Thus, the fifth hypothesis in this study received.

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