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# Analysis of the Influence of Price, Service Quality, Promotion, Relationship of Benefits and Satisfaction to Consumer Loyalty (Study at Usaha Muda Store in Padang City, Indonesia)

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### ABSTRACT

This study aims to see the effect of price, service quality, promotion and the relationship between benefits on customer loyalty and satisfaction as an intervening variable to see how loyalty is given to consumers. The sampling technique used is the Accidental sampling method. The data collection technique is to collect data directly with the field method (field research) in which the questionnaire is distributed directly to consumers of Usaha Muda store represented by 120 respondents.

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### Introduction

At this time the business competition between one store and another is very tight. Especially between similar stores that have the same products and services to be offered. Therefore, this very tight competition demands every business actor to be even stronger in surviving in the midst of competition so that they are able to survive and compete to beat existing business opponents.

Competition is commonplace in the business world. The competitive spirit of business actors must always be created so that the business they are running develops and continues to survive and runs in accordance with economic developments that continue to change according to the times. Padang City is one of the trade and economic centers in West Sumatra, which is located at Pasar Raya Padang, regional market at Padang City. Various types of products and services are offered to meet the needs of buyers as users as well as other business actors who will sell and recycle the goods they buy from both inside and outside the city.

The business sector that will be discussed in this research is the wholesale business of sewing equipment and sewing machines, namely Usaha Muda. The goods offered are; sewing threads, zippers, buttons, lace, sewing machines and others. Usaha muda customers consist of business-to-business (B2B) customers who are tailors, craftsmen, and retailers from inside and outside the city of Padang who will resell goods in retail form to the hands of consumers as well as business to customer customers (B2C) which is the end user for household consumption

Some entrepreneurs in achieving customer satisfaction and loyalty will give the right price because price is one of the determining factors in making a decision to purchase goods or services that will affect customer satisfaction. Then the quality of service is always being improved so that

consumers get satisfaction when shopping and are treated well and also giving a sense of comfort so that good relations with consumers are maintained. Promotion is also more concerned with attracting consumers to come to the store and old customers do not move to other competing stores. Furthermore, the feeling of satisfaction from consumers will have an influence on loyalty.

Along with the increase in the number of new customers at Usaha muda store causing many customers who come cannot focus on being served properly. This of course causes services to all customers who come shopping cannot be done optimally. Of course this affects the satisfaction of consumers who shop and ultimately is also able to affect the loyalty of Usaha muda store customers because they feel not served well, long service times and the relationship between employees and customers is affected. In addition, prices that fluctuate due to the influence of the unstable Indonesian economy trigger doubts for consumers in making purchases and sometimes will compare with product prices from other stores. Usaha Muda store have also begun to implement the goods promotion sector as many consumers have started to switch to online shopping because of their busyness and difficulty in finding time to go shopping at the market. Promotions are starting to run through social media such as Instagram and starting to penetrate market platforms such as Tokopedia and Shopee. To overcome this limitation of consumers, Usaha muda store have started accepting online orders using messengers media such as; Whatsapp or go-shop ordering via online delivery taxi such as Gojek and Grab.

### Theoretical Background and Hypothesis

According to Tjiptono (2004: 110), "consumer loyalty is a customer commitment to a brand, store or supplier based on very positive traits in long-term purchases". From this understanding it can be interpreted that brand loyalty is

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obtained because of a combination of satisfaction and complaints. Meanwhile, customer satisfaction comes from how much the company's performance is to cause this satisfaction by minimizing complaints so that long-term purchases made by consumers are obtained.

#### Price and Consumers Loyalty

Price is a determining factor in purchasing a product in addition to other factors. Price becomes more important for consumers as a sign of what is expected (Abubakar, 2005). Based on Alfred's (2013) research, it is known that price and quality have an influence on consumer purchasing decisions. In fact, consumers always consider price and quality in buying. Consumers feel that a high price reflects the good quality of a product. In addition, according to Kenesei and Todd (2003), price plays an important role in product selection because consumers are always looking for information and comparing prices between producers.

H1: Price has a positive and significant effect on Consumer Loyalty.

#### Service Quality and Consumers Loyalty

Service quality is a condition of how the presentation is provided by the company to satisfy consumers through the delivery of services that exceed consumer expectations. so the consumer's assessment of service quality is a reflection of evaluative perceptions of the service received at a certain time. Service quality has a strategic role related to industrial services (Yusoff et al. 2010). Service quality is a customer evaluation of the service performance excellence provided by the company. Based on Hartono's research (2013), it is known that service quality has a positive and significant effect on consumer loyalty. Service quality is closely related to the perception of the quality of a service expected in a product. This is a determinant of consumer satisfaction or dissatisfaction and consumer loyalty.

H2: Service Quality has a positive and significant effect on Consumer Loyalty.

#### Promotion and Consumers Loyalty

Promotion is a special ingredient of personal advertising, sales promotion and public relations that companies use to achieve their advertising and marketing goals (Kotler & Keller, 2009: 263). Babin (2011: 27). Customer satisfaction has become a central concept in marketing theory and practice, and is one of the essential goals for business activities. Customer satisfaction contributes to a number of crucial aspects, such as creating customer loyalty, increasing company reputation, reducing price elasticity, reducing future transaction costs, and increasing employee efficiency and productivity. Promotion given by the company and customer satisfaction is closely related to the benefits that will be obtained by the company. Companies, because with promotions that meet consumer preferences will bind consumers so that the company is embedded in the minds of consumers, In turn customer satisfaction can create consumer loyalty or loyalty

H3: Promotion has a positive and significant effect on Consumer Loyalty.

#### Relationship Benefit and Consumers Loyalty

Customers who feel the value or benefit (relational benefit) from the relationship marketing program will feel satisfaction.

Kotler (2006, 61) suggests that customer satisfaction is the level of a person's feelings after comparing perceived performance with expectations. Furthermore, customer satisfaction will affect loyalty. According to Hurriyati (2005), loyalty refers to the behavior of the decision-making unit to

make continuous purchases of the products of a selected company. According to Leverin and Liljander (2006); Customer loyalty is shown by making the company the first choice, always using the company's products, always saying positive things about the company's products, and not turning to competitors.

H4: Relationship Benefit has a positive and significant effect on Consumer Loyalty.

#### Consumers Satisfaction and Consumers Loyalty

In the midst of increasingly complex competition for money, satisfying customers is a challenge in itself. Customers are increasingly difficult to satisfy, because the demands are getting higher. The purpose of the importance of satisfying consumers is that consumers are willing to repeat their purchases and recommend others to buy (Kasali, 1998). Even Michael D. Johnson and Anders Gustafsson, 2000, indicate that consumer satisfaction has a positive influence on consumer loyalty which ultimately will have an impact. on the profits received by the company.

H5: Customer satisfaction has a positive and significant effect on customer loyalty.

#### Result and Discussion

**Table 1. Profile of Respondent**

Demographic	Description	Frequen cy	Percenta ge (%)
Gender	Male	63	52,5
	Female	57	47,5
Age	<16	0	0
	17-25	14	11,7
	26-34	31	25,8
	35-43	36	30,0
	44-51	28	23,3
	>52	11	9,2
Education	Junior High School	14	11,7
	Senior High School	74	61,7
	Bachelor	17	14,2
	First Degree	15	12,5
	Master Degree	0	0
	Doctoral	0	0
Profession	Laborer	3	2,5
	Entrepreneur	114	95
	Civil Servant	0	0
	State-owned company employees	0	0
	Private Employees	3	2,5
	Military and Police officers	0	0
	Others	0	0
Income	< 1 million	8	6,7
	1 – 2.5 million	16	13,3
	2.5 – 4 million	42	35
	4 – 5.5 million	11	9,2
	5.5 – 7 million	21	17,5
	>7 million	22	18,3
Status	Single	31	74,2
	Married	89	74,2
	Widow	0	0
Getting Store Information from	Internet	3	2,5
	Friends	44	36,7
	Family	61	50,8
	Others	12	10
Purpose of purchasing	Re-Selling	91	75,8
	Used	29	24,2
Long time subscription	<1 year	8	6,7
	1-5 years	36	30
	5-10 years	14	11,7
	>10 years	62	51,7

**Research Methods**

This study uses a quantitative approach using a survey method by distributing questionnaires. This study uses cross section data. And the research object used is the respondent who had shopped at Usaha muda. The sample that used in this study is every consumers who had shopped at the Usaha muda. The sampling technique in this study used the Accidental sampling method. Therefore, the number of samples that used in this study is only 120 respondents who were met by chance by the researcher.

Measurements are made according to the Likert scale, the answers of each instrument have a very positive to very negative value, the values indicators used are as follows: Strongly Agree: Score 5, Agree: Score 4, Neutral: Score 3, Disagree: Score 2 and Strongly Disagree: Score 1. Data processing was performed using SEM PLS 3 and the data analysis technique used was the validity test measured by the value of outer loading, AVE and latent variables, reliability tests measured by the value of composite reliability and cronbach alpha, descriptive statistical analysis, R Square and T Test.

**Measurement Model Testing**

Convergent validity of the measurement model with reflexive indicators can be seen from the correlation between each indicator score and its construct score (Ghozali, 2012). according to Chin in (Ghozali, 2012), the research in the early stages of developing a loading value measurement scale of 0.50 to 0.60 is considered sufficient. In this study, researchers used a standard loading of 0.50. Average Variance Extract (AVE) value and data is said to be valid if the AVE value is greater than 0.50.

To find out the extent to which the measurement tool has consistent accuracy and accuracy from time to time, a reliability test is performed. as measured by two criteria, namely the value of composite reliability and Cronbachs alpha. A construct is said to be reliable if the composite reliability value and Cronbach alpha value are above 0.70

From the data above, it can be seen that all data in this study are valid and reliable, because all data have met the established standards as described above.

**Structural Model Testing and Hypotheses Result**

After all the constructs in the model meet the criteria for the outer model, then the structural model is tested (inner model) which is evaluated by looking at the R2 value in the dependent variable. Changes in the R square value can be used to assess the effect of certain independent latent variables on the dependent latent variables whether they have a substantive effect. The value of R square can be seen in the table below:

**Tabel 3. R Square**

	R Square
Consumer Loyalty	0.573

Based on the table above, it is known that the R square value for the Consumer Loyalty variable is 0.573. which can

be interpreted that the variable consumer loyalty is influenced by the variable price, service quality, promotion, relationship benefits and customer satisfaction by 57.3% while the remaining 42.7% is explained by other variables outside of

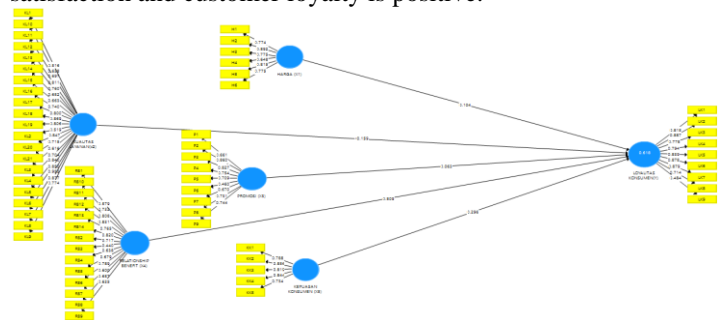
N O	Hypothes is	Path	Path Coefficient	T Statistics	Supported
1	H1	PR - CL	0,168	1,201	NO
2	H2	SQ - CL	-0,112	1,556	NO
3	H3	PM -CL	0,038	0,495	NO
4	H4	RB -CL	0,295	4,370	YES
5	H5	CS -CL	0,421	2,937	YES

this study.

**Table 4 .Summary of hypothesis and significance of structural path coefficient**

Hypotesis	Path	Path Coefficients	T Statistics	Supported
<b>H1</b>	PR - CL	0,168	1,201	NO
<b>H2</b>	SQ-CL	-0,112	1,556	NO
<b>H3</b>	PM-CL	0,038	0,495	NO
<b>H4</b>	RB-CL	0,295	4,370	YES
<b>H5</b>	CS-CL	0,421	2,937	YES

Based on the table above, it can be seen that: 1) the value of T (1.201) > T table (1.96) then H1 is not supported, meaning that the price variable partially has no effect on consumer loyalty. 2) the value of T (1.556) > T table (1.96) then H2 is not supported, meaning that partially service quality variables have no effect on consumer loyalty. 3) the value of T (0.495) < T table (1.96) then H3 is not supported, meaning that the promotion variable does not partially affect consumer loyalty. 4) T value (4,370) > T table (1.96) then H4 is supported This means that the relationship benefit variable partially has a significant effect on customer loyalty. The direction of the relationship between relationship benefits and customer loyalty is positive. 5) The value of T (2.937) > T table (1.96) then H5 is supported, meaning that the variable customer satisfaction partially has a significant effect on customer loyalty. The direction of the relationship between customer satisfaction and customer loyalty is positive.



**Figure 1. Research model**

**Discussion and Conclusion**

This research indicates that overall price has no effect on consumer loyalty. This is because the Usaha muda store is the only shop that sells sewing equipment in the city of Padang So that consumers who need sewing equipment will definitely return to the usaha muda Store and cannot compare price

**Table 2. Correlation matrix**

Variable	AVE	R.Square	$\alpha$	CR	PR	CS	SQ	CL	PM
<b>RB</b>									
<b>PR</b>	0.667	0.023	0.874	0.909	0.816				
<b>CS</b>	0.655	0.096	0.870	0.904	0.771	0.809			
<b>SQ</b>	0.639	0.013	0.964	0.967	0.673	0.684	0.799		
<b>CL</b>	0.685	0.934	0.945	0.629	0.725	0.497	0.827		
<b>PM</b>	0.560	0.001	0.899	0.910	0.694	0.750	0.641	0.565	0.748
<b>RB</b>	0.620	0.81	0.924	0.936	0.757	0.62	0.670	0.568	0.788

Notes:  $\alpha$  = Cronbach alpha; CR = composite reliability; AVE = average variance extracted; PR = Price; CS = Customer Satisfaction; SQ = Service Quality ; CL = Consumer Loyalty ; PM = Promotion; RB : Relationship Benefit Diagonal value (bold number) is square root of average variance extracted; the numbers below diagonal value are correlation.

with other stores because the competitors of the Usaha muda store are in other cities. certainly will make it difficult for consumers to buy these goods to other cities.

[1] Overall service quality has no effect on consumer loyalty. Usaha muda store is the only shop that provides sewing equipment in the city of Padang, so in this study the quality of service does not affect customer loyalty because Usaha muda I. S. Jacobs and C. P. Bean, "Fine particles, thin films and exchange anisotropy," in *Magnetism*, vol. III, G. T. Rado and H. Suhl, Eds. New York: Academic, 1963, pp. 271–350.

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Stores have provided attractive prices for consumers, so that consumers can shop as much as they want and can create satisfaction for consumers. So that consumers do not glance at competing stores. This means that if the quality of service provided by Usaha muda Stores is getting better or worse, it will not affect consumer loyalty, consumers will continue to buy.

As a whole promotion has no effect on consumer loyalty. Usaha muda store have tried various ways to promote to consumers from promotions through social media, brochures and provide attractive discounts for consumers so that they can bring more consumers to shop at the Usaha muda store. However, for consumer loyalty, Usaha muda do not require a lot of promotion because this shop is still the only shop that sells sewing equipment in the city of Padang so that consumers will definitely return to shopping.

This study indicates that overall relationship benefits affect consumer loyalty. Usaha muda have trained each employee to prioritize and serve consumers in a friendly manner so that they can build good relationships between consumers and store employees so that consumers feel comfortable when shopping. For customer loyalty, relationship benefits need to be considered, given that every consumer will definitely return to shopping, so to maintain consumer comfort and satisfaction in shopping, relationship benefits are needed so that during shopping, consumers always get a good impression.

Overall consumer satisfaction affects consumer loyalty. Usaha muda have made various efforts to create satisfaction

for consumers while shopping so that later consumers can be loyal and promote indirectly about the Stores to others.

Wherever Times is specified, Times New Roman may be used. Avoid using bit-mapped fonts. True Type 1 or Open Type fonts are required. Please embed all fonts, in particular symbol fonts, as well, for math, etc.

So the conclusion of this study is that price, service quality and promotion do not affect customer loyalty, while relationship benefits and customer satisfaction affect customer loyalty. for this reason, young business stores can be considered again in the future regarding relationship benefits and customer satisfaction so that loyalty can occur to every consumer who shopped.

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