Effect of Product Quality and Price on Customer Loyalty through Customer Satisfaction

Djumarno, Santrianimatina Anjani, Said Djamaluddin
Lecturer, Mercu Buana University, Jakarta, Indonesia
Alumni, Mercu Buana University, Jakarta, Indonesia
Lecturer, Mercu Buana University, Jakarta, Indonesia
Corresponding Author: Said Djamaluddin

ABSTRACT: This research aims to analyze the effect of product quality and prices, as independent variables to customer satisfaction, as well as the impact of Reviews those independent variables to customer loyalty of the Bali Ratih website in Jakarta. The sample used in this study are 125 respondents taken by simple random sampling technique. The tools of analysis of the was Structural Equation Modeling (SEM) by SPSS Amos program. The result showed significant effect of product quality and prices to customer satisfaction. The result also showed a significant effect of customer satisfaction to customer loyalty. Finally, the result also indicate that purchase decisions intervene the relationship of product quality and prices to the customer loyalty of Bali Ratih in Jakarta.

KEYWORD: Product quality, prices, customer satisfaction, customer loyalty.

Date of Submission: 20-07-2017
Date of acceptance: 04-08-2017

I. INTRODUCTION

Trend skin care starts to become a lifestyle for some people who can not be abandoned, especially for women. The number of activities as demand can cause stress and lack of care on the skin, it can make a good appearance and healthy skin is less disturbed. Based on data from POM RI, the number of cosmetic notifications in 2017 until September as many as 33,823 products. This number increased by 11.57% from the previous year in the same period. Besides an increase in cosmetics, particularly decorative and care category, there are always new products notified in POM RI. This shows the magnitude of the potential and market opportunities for the cosmetic industry. Many women who choose to be a career woman who is required to have an attractive appearance, beautiful and confident.

The Central Statistics Agency (BPS) recorded economic growth in the first quarter of 2017 RI by 5.01%. Economic growth in the first quarter of this if it is seen year on year, supported by some sectors, one of which is the information and communication grew 9.01%. It was driven from the number of internet users, such as online transactions, so that the information and communication sector grew. Chairman of Indonesian Retailers Association (APRINDO) Roy Mandey, admitted that the society is changing attitudes, particularly in spending patterns. It is the people, many choose to transact online than conventionally. The Central Statistics Agency (BPS) recorded 2016 e-commerce industry in Indonesia increased 17 percent from the last ten years with the total number of e-Commerce businesses reached 26.2 million units.

Ratih Bali is a body-care products that use natural ingredients as the main raw material products, which have four types of products, namely Body Mist, Body Lotion, Body Butter and Body Scrub. Bali Ratih has a conventional store and also sold online through the official website Bali Ratih and online shopping portals.

Source: Website Bali Ratih

Figure 1.1 Sales Data Bali Ratih 2016

Source: Website Bali Ratih
Bali Ratih sales data for 2016 indicates a decline in a few months the number of product sales, it shows a lack of customer loyalty to the product Bali Ratih. Not all consumers Bali Ratih make repeat purchases. Of the four products, body scrub products that have the lowest sales compared with the three other products. This is reinforced by the results of interviews regarding this body scrub productsto 20 (twenty) the customer respondents Bali Ratih among others as follows: 8 (eight) stated expiration date this product is short at only 4 months after the production date, five (5) people expressed a grain scrub on this product is too large, and 7 (seven) denotes the price offered is not according to the volume of products.

Results of previous studies conducted by Yuen and Chan (2010) argued that Products that have the quality will maintain the level of customer satisfaction, which encourages customers to make subsequent purchases, so the customer loyalty gradually formed. In addition, previous research by Han and Hyun (2014) argued that Price Might To Become Customer Satisfaction Levels After Achieve Desired Customer Benefits Customers Keep Pushing Believe And Do Purchase Repeat.


Based on the above, the research will focus on Product Quality and Price on companies engaged in the field of e-commerce by using the object Ratih Bali product, which is marketed through conventional and online sales. Selection of products Bali Ratih as more and more products body care products are marketed through online sales, product Bali Ruth is also not only on sale through their web but also marketed in e-commerce companies such as Lazada and Shopee, making it easier for customers to get the product the.

Based on the background of the problem, the problem in this research are:
1. Is the quality of the product on Bali Ratih effect on customer loyalty?
2. Are the prices on Bali Ratih effect on customer loyalty?
3. Is customer satisfaction in Bali Ratih effect on customer loyalty?
4. Is customer satisfaction mediating (intervening) the impact of product quality on customer loyalty in Bali Ratih?
5. Is customer satisfaction mediating (intervening) the effect of price on customer loyalty in Bali Ratih?

Customer satisfaction

Kotler and Keller (2008) expressed satisfaction is feeling happy or disappointed someone emerged after comparing between perception on the performance or the results of a product and hope - Hopes. Satisfaction is a function of perception / impression of the performance and hope. If performance meets expectations, the customer is not satisfied (disatisfied). If performance is below expectations, the customer is satisfied (satisfaction). If performance exceeds expectations, the customer is very satisfied and happy, so that customer satisfaction between requires balancing the needs and desires (the need and want) with what is given (given). According Heryanto (2015) to evaluate satisfaction with the product, service or specific companies, consumers generally refers to a variety of factors or dimensions. Responsiveness of Service (Responsiveness of service), Speed of Transaction (Free trade), Availability of Service (Presence service), Professionalism (professionalism), overall satisfaction with services,

Customer loyalty

According to Griffin (2008) definition of customer loyalty as a manifestation of the behavior of the units of decision making purchases continue - going against the goods / services of a company that is selected. Oliver in Vanessa (2007) defines loyalty as a customer commitment to defend in depth to re-subscribe or re-purchase of products / services consistently elected in the future, although the influence of the situation and marketing efforts have potential to cause behavioral changes. The characteristics of loyal customers among other things by Griffin (2008) is refer to others, re-purchase on a regular basis, and show resistance to the pull of competitors.


Based on research by Akpoyomare, Et al (2014) Quality of better products tend to increase customer loyalty. If the product meets customer expectations, customers will be happy and consider this product is acceptable or even high quality.

Based on research Mahmud, et al (2014) prices have a significant influence on customer loyalty with a positive relationship. Price is a variable that can be controlled and determine whether or not a product is accepted by consumers, to gain customer loyalty need to understand customer wants and needs. Bowen (2015)
says it now reaches a certain level of satisfaction, loyalty increases dramatically, and if satisfaction declines to a certain point, loyalty drops dramatically.

Based on research by Yuen and Chan (2010), better product quality will maintain our high level of customer satisfaction, which encourages customers to make future purchases. Thus, customer loyalty is gradually formed. Numerous studies show that the improvement of product quality that benefit the company. Furthermore, according to Han, et al (2014), the price suitability to be a customer satisfaction after achieving the desired level of customer benefits that encourage customers to continue to believe and make repeat purchases.

This thinking framework presented in Figure 1 below:

On the basis of the formulation of the hypothesis proposed issue are:

H1: The product quality effect on customer loyalty.
H2: The price effect on customer loyalty.
H3: Customer satisfaction affects the purchasing loyalty.
H4: Customer satisfaction mediating (intervening) the impact of product quality on customer loyalty.
H5: Customer satisfaction mediating (intervening) the effect of price on customer loyalty.

II. RESEARCH METHODOLOGY

The sample is part of the number and characteristics possessed by the population. Metode the researchers used in sampling is a sampling method is purposive sampling non-probabilistic (Sugiyono, 2013). In the withdrawal of the amount of the sample size, (incident) then used a technique or formula in accordance with theory (Malhotra, 2010) should be at least four or five times the number of items of questions. In this study, there are 23 items statement. The number of samples taken in this study is 115 samples (23 x statement item 5) of the population studied.

III. RESULTS AND DISCUSSION

1. Validity and Reliability

Testing includes research instrument validity and reliability. Validity and reliability tests performed on five main variables in this study. Table 1 shows that all items is valid, it can be seen from the loading value of > 0.5 and each variable has a value of average variance extracted > 0.5. All the variables have the reliability of composite values > 0.6 which indicates that all variables have good reliability,

Table 1 Results of Test Validity and Reliability

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items</th>
<th>Loadings</th>
<th>Average Variance Extracted (AVE)</th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kualitas Produk</td>
<td>Product Quality</td>
<td>0.525</td>
<td>0.886</td>
<td></td>
</tr>
<tr>
<td></td>
<td>KFS</td>
<td>0.648</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>KFP</td>
<td>0.782</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harga</td>
<td>Price B</td>
<td>0.519</td>
<td>0.843</td>
<td></td>
</tr>
<tr>
<td></td>
<td>P1</td>
<td>0.688</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>P2</td>
<td>0.668</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>P3</td>
<td>0.757</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>P4</td>
<td>0.760</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kepuasan Pelanggan</td>
<td>Customer</td>
<td>0.520</td>
<td>0.861</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Satisfaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>KNS3</td>
<td>0.900</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>KNS4</td>
<td>0.940</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loyalitas Pelanggan</td>
<td>Customer</td>
<td>0.623</td>
<td>0.876</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Loyalty</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>LJP4</td>
<td>0.745</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>LJP5</td>
<td>0.550</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Primary data are processed, 2018
After testing the validity, the next step is testing the reliability that aims to determine the consistency of the items used statements. From Table 1 it can be concluded that in general all the variables declared reliable because it has a value Composite Reliability> 0.60.

2. Correlation

### Table 2. Uji Correlation Between Indicators

<table>
<thead>
<tr>
<th>Source: processed survey data (2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Here are the results of analysis of the correlation matrix in table above shows the relationship between variables X effect on variable Y with the following explanation:</td>
</tr>
</tbody>
</table>

1. **Product quality**
   - If seen from the table above can be explained that:
     a. There are several indicators in the variable quality of the products indicate a fairly strong correlation value on the Z variable indicator of customer satisfaction. This can be seen through the r values were in the range of 0.25 < r ≤ 0.50. However, specific to that perceived quality KP6 indicator correlates with indicators KPP5 weak service satisfaction. This is evident from the r value 0.101 which is in the range 0.00 < r ≤ 0.25.
     b. In correlation indicators in the variable product quality to customer loyalty variable dimensions as presented in the table above shows that the correlation is strong enough. This is shown in the indicator variable Y customer loyalty throughout the r value is in the range of 0.25 < r ≤ 0.50.

2. **Price**
   - In the table above are presented correlation value indicator variable prices as follows:
     a. There are several indicators in the variable price showed a fairly strong correlation value in the indicator variable customer satisfaction. This can be seen through the r values were in the range of 0.25 < r ≤ 0.50. However, there are two indicators that correlate weak price on purchase decisions. Both indicators are, indicators P1 is affordable price weakly correlated with indicators KPP4 clear product information with value r 0.141, the second indicator is the price according to the quality P3 weakly correlated with indicators KPP3 friendly service with a value of r 0.218. R indicates a weak correlation value if they are in the range of 0.00 < r ≤ 0.25.
     b. In correlation indicators in the variable price to the indicator variable customer loyalty as presented in the table above shows that the correlation is strong enough. However, the price corresponding portion P5 indicator shows weak correlation to the indicator LP4 not interested competitors' products. This is evident from the r value of 0.218 which is in the range 0.00 < r ≤ 0.25.

3. **Customer satisfaction**
   - In correlation customer against satisfaction indicators in the variable customer loyalty indicator variable as presented in the table above shows that the correlation is strong enough. Even the friendly service KPP3 indicators show a strong correlation to the indicator LP1 recommend products, with r value of 0.516. If declared strong if correlation r value is in the range of 0.50 < r ≤ 0.75.

### Test hypothesis

1. **Suitability Analysis Model (Goodness-of-Fit)**
   - Table 3 describes the results of the goodness of fit of the model of the research undertaken.
Table 3. Results

<table>
<thead>
<tr>
<th>Goodness-of-fit Indices</th>
<th>Cut-off Value</th>
<th>Result</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square (X²)</td>
<td>expected to be small</td>
<td>256.871</td>
<td>Fit</td>
</tr>
<tr>
<td>Degrees of freedom</td>
<td>Positive</td>
<td>224</td>
<td>Fit</td>
</tr>
<tr>
<td>Probability levels (p)</td>
<td>≥0.05</td>
<td>0.035</td>
<td>Fit</td>
</tr>
<tr>
<td>CMIN/ DF</td>
<td>≤2.0</td>
<td>1.871</td>
<td>Fit</td>
</tr>
<tr>
<td>GFI</td>
<td>≥0.90</td>
<td>0.854</td>
<td>marginal</td>
</tr>
<tr>
<td>AGFI</td>
<td>≥0.90</td>
<td>0.857</td>
<td>marginal</td>
</tr>
<tr>
<td>TLI</td>
<td>≥0.90</td>
<td>0.878</td>
<td>Fit</td>
</tr>
<tr>
<td>CFI</td>
<td>≥0.90</td>
<td>0.965</td>
<td>Fit</td>
</tr>
<tr>
<td>RMSEA</td>
<td>≤0.08</td>
<td>0.022</td>
<td>Fit</td>
</tr>
</tbody>
</table>

Sources: Primary data are processed, (2018)

In this test the value of $\chi^2$ produce more significance level of 0.05 with a value of 256.871 $\chi^2$ showed that the models already meet the proposed research. Value CMIN / DF, TLI, CFI and RMSEA in this research model shows a good level of fitness, while the value of GFI and AGFI show less good level of fitness but already close to the expected value.

According to Hair et al., (2010), the model is said to be either not be seen from all indices but should be based on consideration of the number of respondents and the number of items statement. For respondents under 250 and statement items of between 12 to 30, then the value of $\chi^2$ does not have to be fulfilled but must be matched with an index value of CFI, TLI RMSEA value above 0.95 and less than 0.08, the model can be said to be good. In this study, the number of respondents was 125 with a valid statement item number 25, the value of CFI, TLI and RMSEA showed a good value, so that the overall model proposed is acceptable.

2. Path Coefficient Analysis

Table 4. Regression Weights

<table>
<thead>
<tr>
<th></th>
<th>estimate</th>
<th>SE</th>
<th>CR</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>customer satisfaction</td>
<td>.111</td>
<td>.070</td>
<td>2.53</td>
<td>.013</td>
</tr>
<tr>
<td>customer satisfaction</td>
<td>.391</td>
<td>.137</td>
<td>2.81</td>
<td>.004</td>
</tr>
<tr>
<td>Loyalty</td>
<td>.201</td>
<td>.184</td>
<td>1.65</td>
<td>.098</td>
</tr>
<tr>
<td>Loyalty</td>
<td>.307</td>
<td>.078</td>
<td>4.09</td>
<td>.004</td>
</tr>
<tr>
<td>Loyalty</td>
<td>.243</td>
<td>.174</td>
<td>2.39</td>
<td>.030</td>
</tr>
</tbody>
</table>

Sources: Primary data are processed, (2018)

The results of the analysis of the effect (direct effect), the indirect effect (indirect effect) and the total effect of one variable to another variable can be seen in Table 5 below:

Table 5 Effect of Direct, Indirect and Total

<table>
<thead>
<tr>
<th>variables</th>
<th>Independent</th>
<th>Dependent</th>
<th>Directly</th>
<th>Indirect</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Customer satisfaction</td>
<td>.219</td>
<td>-</td>
<td>.219</td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>Customer satisfaction</td>
<td>.371</td>
<td>-</td>
<td>.371</td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>Price</td>
<td>.209</td>
<td>.412</td>
<td>.621</td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>Loyalty</td>
<td>.307</td>
<td>.103</td>
<td>.406</td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>Loyalty</td>
<td>.249</td>
<td>-</td>
<td>.249</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Primary data are processed, (2018)

The test results in Table 5 indicate that that of the 5 lines were analyzed, all the paths that have a significant relationship, seen from the level of significance (p) test the hypothesis that less than 5%.
Table 6. Level significance indirect effect (Sobel Test)

Sources: Primary data are processed, (2018)

Results Sobel test indicated that the indirect effect on the product quality of customer loyalty is significant at a significance level of p <0.05; while for the indirect effect on the price of a significant customer loyalty at a significance level of p <0.10. This shows that purchasing decisions are mediating influence product quality and price on customer loyalty.

IV. RESULTS

1. The influence of the quality of products on customer loyalty
This study examines the effect of product quality to customer loyalty. The results of path analysis showed CR values product quality on customer loyalty amounted to 3.095 with a significance level of 0.05, so the first hypothesis is accepted in this study. These results show that the influence significantly the quality of proven products to customer satisfaction by the consumer. Towards a positive coefficient shows that increasing the quality of the product effect on increasing levels of consumer loyalty.
The results are consistent with previous studies conducted by Oghojafor (2014), Lumintan (2015), Jahanshahi (2014), Lasander (2013) and Ferry (2012). The previous research proves that affect product quality to customer loyalty. Thus this study proves that the quality of the product is one important factor that can keep customers loyal. Improved product quality will provide a good impact in improving customer loyalty. The results of previous studies are shopping online and conventional shopping, the suitability of these results with a number of previous studies show that the key aspects of online transactions customer loyalty is synonymous with customer loyalty in the consumer aspects of conventional shopping.

2. The effect of price on customer loyalty
The results of path analysis showed CR value on customer satisfaction rates of 2.396 with a significance level of 0.05, so that the second hypothesis is accepted in this study. These results show that the price shown to affect significantly the customer loyalty by consumers.
The results are consistent with previous studies conducted by Han and Ryu (2009), Harris (2010), Han and Hyun (2014), and Mahmud, Jussif, Hadijah (2014). The study proves that the price of the product effect on customer loyalty. This study therefore shows that the more affordable and appropriate consumer expectations it will increase customer loyalty. Price is one of the company's strategy to build loyalty. This result has important implications on the company, which can use the results of the study in an attempt to survive and become a consumer choice through the determination of the appropriate product pricing strategy. Noting the results of previous studies are shopping online and conventional shopping.

3. The influence of customer satisfaction on customer loyalty
The results of path analysis showed CR values of customer satisfaction on customer loyalty amounted to 2.656 with a significance level of 0.05, so the hypothesis 3diterima in this study. These results show that customer satisfaction proven to affect significantly the customer loyalty.
The results are consistent with research Bowen and Chen (2015). This study therefore shows that customer satisfaction to a given product will result in increased customer loyalty. Customers who are satisfied with a given product will become loyal customers and loyal customers will be a marketer for the company to provide positive information and recommendations to other potential customers. Noting the results of previous studies are shopping online and conventional shopping, the suitability of these results with a number of previous studies show that the key aspects of online transactions customer loyalty is synonymous with customer loyalty in the consumer aspects of conventional shopping.

4. The role of mediation (intervening) customer satisfaction in product quality influence on customer loyalty
Table 6 shows that product quality has a positive effect on customer satisfaction; Customer satisfaction has a positive effect on customer loyalty. Results Sobel test in Table 6 also shows that a significant mediating role of
customer satisfaction. Mediation (intervening) occurs when the independent variable (product quality) significantly affect mediating variables (intervening) and significant mediating variables on the dependent variables. This means customer satisfaction mediates the effect of product quality on customer loyalty, so the hypothesis 4 is accepted.

The results support previous studies conducted by Yuen and Chen (2010). This study shows that the effect of the product on customer satisfaction is an indirect effect, influence the quality of products on customer loyalty should be to first through customer satisfaction. These results show that customer loyalty over the quality of the product obtained after the online transaction preceded by customer satisfaction. Noting that previous studies are shopping online and conventional shopping, the suitability of these results with a number of previous studies show that the key aspects of online transactions customer satisfaction is synonymous with customer satisfaction on the consumer aspects of conventional shopping.

5. The role of mediation (Intervening) customer satisfaction in price influence on customer loyalty

Table 6 shows that the price has a positive effect on customer satisfaction; Customer satisfaction has a positive effect on customer loyalty. Results Sobel test in Table 6 also shows that a significant mediating role of customer satisfaction. Mediation occurs when the independent variables have a significant effect on mediating variables and significant mediating variables on the dependent variables. This means customer satisfaction mediates the effect of price on customer loyalty, so that Hypothesis 5 is accepted.

The results support previous studies conducted by Dominique and Heldr (2016). This study shows that the effect of price on customer loyalty is an indirect effect, the price effect on customer loyalty should be to first through customer satisfaction. These results show that customer loyalty over the online transaction prices obtained after preceded by customer satisfaction. Noting the results of previous studies are shopping online and conventional shopping, the suitability of these results with a number of previous studies show that customer satisfaction the key aspects of online transactions is identical to the aspect of customer satisfaction on consumer decisions conventional shopping.

V. CONCLUSIONS AND RECOMMENDATIONS

Conclusion

OnThis section will present our conclusions on the hypothesis that has been proposed in the previous chapter. The conclusion based on the results of research and discussion are as follows:

1. This study proves the quality of the product significant positive effect on customer loyalty online at Bali Ratih body scrub products.
2. Prices of products proven significant positive effect on customer loyalty online at Bali Ratih body scrub products.
3. Variables customer satisfaction proven significant positive effect on customer loyalty online transactions on the product body scrubs Bali Ratih.
4. This study shows that customer satisfaction mediating (intervening) the impact of product quality on customer loyalty online transactions on the product body scrubs Bali Ratih.
5. The study also shows that customer satisfaction mediating (intervening) the effect of price on customer loyalty online transactions on the product body scrubs Bali Ratih.

Suggestion

Suggestion which can be given based on the results of this study are:

1. For further Researcher
   Future studies could examine the other variables that are supposed to influence the satisfaction and loyalty in online shopping. These variables can be examined in the earlier study effect on customer satisfaction and customer loyalty.
2. for Companies
   1) Suggested to the company in order to increase online sales, the company gives priority attention to the performance of the product is the guarantee that do Bali Ratih which the goods or products purchased have received appropriate consumers and ease of use.
   2) Based on the level of the strongest links between the price the customer satisfaction and customer loyalty, it may be advisable in the company to adjust the price to be affordable for consumers in order to increase customer satisfaction and customer loyalty online.
3. For Customers
   Online Shopping
   be expected can be online shopping customer reference in determining the characteristics of supporting the determination of satisfaction and loyalty defined by the quality of the product and the price given online businesses. Furthermore online shopping customers can also use the dimensions of each variable of this study as a reference.
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REFERENCE
