



The Effect of Price and Product Quality Towards Customer Satisfaction and Customer Loyalty on Madura Batik

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Abstract

This study aims to examine and explain the effect of the variable price and product quality on satisfaction and loyalty. The research was conducted in the area of Bangkalan. The research problem of this study are: is there any influence between price and product quality to customer satisfaction, is there any influence between price and product quality to customer loyalty, and is there any influence between customer satisfaction to the customer loyalty. This study used a survey where respondents were interviewed and asked to fill out a five-point Likert scale questionnaire. The target population of the study are customers who make the purchase more than twice of Madura Batik. The sample of this study is 200 respondents, the sampling technique used was purposive sampling method. The analytical method used in this research is the analysis of SEM. Based from the results of the analysis has been done, it can be concluded that the price is a significant and positive impact on customer satisfaction, the product quality is significant and positive impact on customer satisfaction, that the price is significant and positive impact on customer loyalty, that the customer satisfaction significant and positive impact on customer loyalty, but the product quality is not significant and positive impact on loyalty.

Keywords: Price, Product Quality, Customer Satisfaction, Loyalty, Madura Batik

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Introduction

In the current era of globalization many emerging new business players while Batik business is one of the businesses that people are interested in today. Moreover, as the batik is one of Indonesia's cultural heritages by UNESCO (United Nations Educational Scientific and Cultural Organization), batik business is increasingly in demand by some circles. Antiquity batik image used only by parents with traditional motifs. But along with its development today, the youngsters do not feel longer awkward to wear batik because now the style and color of batik is very diverse and looks more modern.

Marketing batik now not only grows in the centers of batik industry, but also grows in place far from the batik industry. The existence of various facilities nowadays makes a lot of people try their luck with the business of batik. Tanjungbuni is one of the largest batik industry centers in Indonesia. Many people in Tanjungbuni are involved in this business because of the dynamics of promising business opportunities.

Batik marketing activities are now increasingly tight; this is what ultimately requires the company must always be innovative in developing its business. The company's competition has been linked to the personal nature of customers with the brand itself. Marketers generally want that

the customer it creates can be preserved forever. But this is not easy, considering the number of competitors in the same product. Customers or customers can be loyal or loyal customers because customers are satisfied with a particular product brand. The key to customer care lies in a serious and continuous commitment to maintaining customer satisfaction.

Customer loyalty can be the basis for the development of sustainable competitive advantage through marketing efforts. Success in marketing is determined by the large volume of product purchases by customers. The level of sales of a company's products can be influenced by several things including price, image of the brand itself and customer satisfaction of a product used. Customer loyalty in this research is a variable of purpose. Based on the results of previous research by Kabu Khadka and Soniya Maharjan, (2017), Customer satisfaction and loyalty represent a top priority of the company's success and profit. Customer satisfaction has a positive effect in shaping Customer loyalty. Satisfaction is a matter of concern to the company. Usually, customers who are not satisfied with a product can easily move to another brand because of the loss of trust in the brand or brand.

This research tries to see the correlation of price, and product quality variable as independent variable, and loyalty as dependent variable with satisfaction as mediation variable. The purpose of this study are: (a) to know whether that price affects on customer satisfaction and customer loyalty; (b) to know whether product quality affects on customer satisfaction and customer loyalty; (c) to know whether customer satisfaction influences customer loyalty.

Literature Review

Price

Kotler and Keller in Herviana and Anik, (2018), argue that price is a sum of money or value that is exchanged by consumers to get profits from ownership or charged for a product or service. Price is milk for the customer and something else for the seller. For customers, this is the cost of something. For the price seller is the income and the main source of profit. Another opinion of price according to Kotler and Armstrong in Friani et al. (2018) is “the amount of money exchanged for a product and service. Furthermore, prices are a number of values that consumers exchange for the number of benefits by owning or using an item or service”. The indicator used in accordance with Kotler and Armstrong in Ismail, et al., (2016) suggested that price is the amount of money charged for a product or a service; the sum of the values that customers exchange for the benefits of having or using a product or service. Price is a major factor behind satisfaction & product loyalty because a customer carefully perceives if he is getting the most benefit from the product against his spending.

Product Quality

Product quality according to Kotler and Keller in Herviana and Anik., (2018) define Product Quality as the totality of features and characteristics of a product or service that depends on the ability it has to satisfy expressed or implied needs. Based on research by Akpoyomare in Djumarno, et al., (2018) Quality of better products tend to increase customer loyalty. Product quality indicator in this research was adopted from Kotler and Keller in Ismail et al. (2016) that is performance, features, reliability, compliance, durability, service ability, aesthetics, and perceived quality.

Customer Satisfaction

Kotler and Keller, in Bela et al., (2016), satisfaction is feeling happy or disappointed someone who arises because of comparing the perceived performance of the product (or result) to their expectations. This term is often used as a measure of how the products and services provided by the company meet or exceed customer expectations. In the service environment, customer satisfaction has been seen as a special form of customer attitude. While according Njei Zephan, (2018), Customer satisfaction can be understood to be the difference between customers' expectation before consumption and realization after consumption of product or service. Kotler and Armstrong, (2016) were satisfied, proud, happy, happy and exceeded expectations.

Customer Loyalty

Loyalty by Lovelock et al. in Rifardieu (2018) is an old word usually used to describe loyalty and obedience to a state, movement or individual. Oliver in Bela et al. (2016), loyalty as a commitment held in depth to buy or support a product or service that is preferred in the future even though the influence of the situation and marketing efforts have the potential to cause customers to switch. The indicators used to measure customer loyalty in this study were adopted from Oliver et al. in Kabu (2018) i.e. intentions, will, tend to, perhaps, commitments.

Relationship between Price and Customer Satisfaction

According to Han, et al in Djumarno et al. (2018), it is possible that price suitability can support customer satisfaction after achieving the desired level of customer benefits that encourages customers to continue to trust and make repeat purchases. Positive perception will lead to a feeling of satisfaction with the customer whereas conversely if the customer has a negative perception then there is a sense of dissatisfaction that causes customers to be reluctant to buy back the product. Customer satisfaction can also be formed when sacrifices are issued in accordance with the value received, which means the price of the product in accordance with the benefits obtained.

Relationship between Product Quality and Customer Satisfaction

Based on research by Djumarno et al. (2018) that better product quality will maintain our high level of customer satisfaction, which encourages customers to make future purchases. Product quality is also one of the elements taken into consideration by customers in deciding to make a purchase (Jahanshahi et al., 2011). Satisfaction will be obtained if the customer has a positive value that the product is qualified. Customer satisfaction can be interpreted as a feeling of pleasure or disappointment from a customer when he compares his perceptions of the performance of a product or service with the desired expectations. Thus, customer satisfaction is important, leads to the financial success of a company, and contributes to the sustainable development of the company.

Relationship between Customer Satisfaction and Customer Loyalty

Lovelock, et al. (2011) argues that highly satisfied customers or even favor services tend to be loyal supporters of the company and spread positive news. Dissatisfaction reverses the customer and becomes the deciding factor in switching behavior. Another explanation is also explained by to Mohsan et al., in Moehammad et al. (2018) mentioned that customer satisfaction influences brand loyalty. While the results from the research of Ganiyu, (2017) indicate that customer satisfaction affects brand loyalty. Broadly speaking, customer satisfaction provides two main benefits for the company, namely in the form of loyalty and engage in positive word-of-mouth recommendation. Customer satisfaction and loyalty should be incorporated into the long-term goal of a business. Customer satisfaction is a key element for every organization wishing to increase customer loyalty and create a better business achievement (Masud, Haque, & Azam, 2018).

Research Hypothesis

- H1:** The Price significantly influenced the customer satisfaction
- H2:** Product Quality significantly influenced the customer satisfaction
- H3:** The Price significantly influenced the customer loyalty
- H4:** Product Quality significantly influenced the customer loyalty
- H5:** Customer Satisfaction has a significant effect towards customer loyalty

Conceptual Framework of the Study

According to the described study purpose, hypotheses and literature review as above, the following research framework can be achieved as the Figure 1.

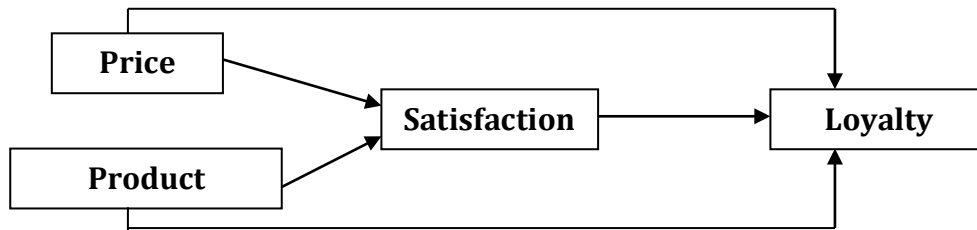


Figure 1. The Conceptual Framework of the Research

Research Methodology

Data Collection and Measurement

This study used survey method where respondents were interviewed and asked to fill the ordinal scale questionnaire or commonly called the Likert Scale of five points. Questionnaires were given to customers who visit or buy batik in Tanjungbumi. The purpose of this study is hypothesis testing, namely research that explains the phenomenon in the form of relationships between variables. These variables are price, brand image, production quality, customer satisfaction and customer loyalty.

Population

Population is a collection of individuals who have the qualities and characteristics that have been established. Based on these qualities and traits, the population can be understood as a group of individuals or observational objects that have at least one characteristic equation (Cooper and Emory, 1995). The population used in this study is customers who make purchases at least more than twice in Batik Tanjungbumi, Bangkalan.

Samples

Samples are some of the populations that have relatively similar characteristics and are considered to be representative (Cooper and Emory, 1995). While the number of samples used in this study set as many as 200 samples with the criteria of customers who make purchases at least more than twice in Batik Tanjungbumi, Bangkalan. The determination of the number of samples is in accordance with the opinion of Hair et al (1998) who argue that the sample size as in the Structural Equation Modeling (SEM) method is recommended between 100 samples up to 200 samples.

Data Collection

Sampling technique using non-probability sampling method and the type of method used is purposive sampling. According Sugiyono (2013), purposive sampling is a technique to determine the sample of research with some specific considerations that aims for data obtained can be more representative.

Data Analysis

Validity test

Validity test in this research is ensured by the use of Confirmatory factor analysis (CFA) with the help of SPSS program. Hair et al. (1998) suggests that question items are categorized as valid when a greater 0.30 loading factor is considered to meet a minimum level, factor loading of 0.40 is considered better, and factor loading of 0.50 is considered significant. In this research using factor loading guidance is 0.5.

Reliability Test

Reliability test in this research is done using Cronbach's Alpha method by using SPSS program. The classification of Cronbach's Alpha values used in this study is Cronbach's Alpha value > 0.60.

SEM Analysis

SEM analysis used in several assumptions are: (1) Sample adequacy test (2) Normality test, normality assumption seen in critical ratio (cr) skewness and kurtosis, if the value is below absolute value 2.58 then the data is normal (Ghozali, 2013). (3) Outliers test is done by evaluating Mahalanobis distance value on degree of freedom variable that used in research at p level <0,001. (4) The Goodness of Fit test reflects the predicted level of conformity of the model compared to the actual data. Overall, and indicated good fit if it meets the requirements as in the following table:

Index	Cut-off Value
<i>X² Chi Square</i>	Small
<i>Significance Probabilitas</i>	> 0.05
RMSEA	< 0.08
<i>Goodness of Fit Index (GFI)</i>	> 0.90
<i>Adjusted Goodness of Fit index (AGFI)</i>	> 0.90
<i>CMIN/DF</i>	< 2.00
<i>Tucker-Lewis Index (TLI)</i>	> 0.95
<i>CFI</i>	> 0.95

Source: Ferdinand (2002)

Results and Analysis

Data collection

To carry out the present study we have distributed 200 form to the persons who at least one Madura batik with and we have focused on government officials and public university lecturers on the Maduraisland. The sample consists of 41% of Male and 59% of Female.

	N	(%)
Gender:		
Female	117	0.59
Male	83	0.41
Age (years):		
20-29	46	0.23
30-39	49	0.25
40-49	77	0.38
50 >	28	0.14
Education:		
High school	25	0.13
Diploma	42	0.21
High education	119	0.59
Unknown	14	0.07
Marital Status:		
Single	37	0.19
Married	163	0.81
Job:		
Public sector	48	26.7
Privet sector	92	51.1
Non	28	15.6
Unknown	12	6,7

Source: Primary Data Processed, 2017

It is seen from the Table 2 above, the highest percentage 59% of respondents are female. The over-age group of 50 years represents 14%. The age groups 40-49 years consists 38% of the sample study, 30-39 years composite at 25%, 20-29 years represent 23%. On table above shows that number of the respondents (0,81%) were married and remaining (0,19%).

Reliability Test

The results of the reliability test of this study almost entirely have the value of Cronbach's Alpha > 0.60 which can be seen in the following table,

Variable	Cronbach's Alpha
Price	0.790
Product Quality	0.870
Customer Satisfaction	0.910
Customer Loyalty	0.900

Source: Primary Data Processed, 2017

Through a result in above, the value of alpha Cronbach's has been much more than 60%. Which indicates that the questionnaire items have a high stability that justifies using for the study. The value of alpha Cronbach's each gateway was the lowest the value of 79% that means that all the items of the study gauge with high reliability and consistency.

SEM Analysis

Goodness Of Fit Model

The test results of Goodness of fit model before modified can be explained in the following table,

Fit indices	Recommended value	Results
<i>CMIN/DF</i>	<2.00	1.079
<i>Significance Probabilitas</i>	>0.05	0.279
<i>Goodness of Fit Index (GFI)</i>	>0.90	0.940
<i>Adjusted Goodness of Fit index (AGFI)</i>	>0.90	0.917
RMSEA	<0.08	0.020
<i>Tucker-Lewis Index (TLI)</i>	>0.95	0.988
<i>CFI</i>	>0.95	0.990

Source: Primary data processed, (2017)

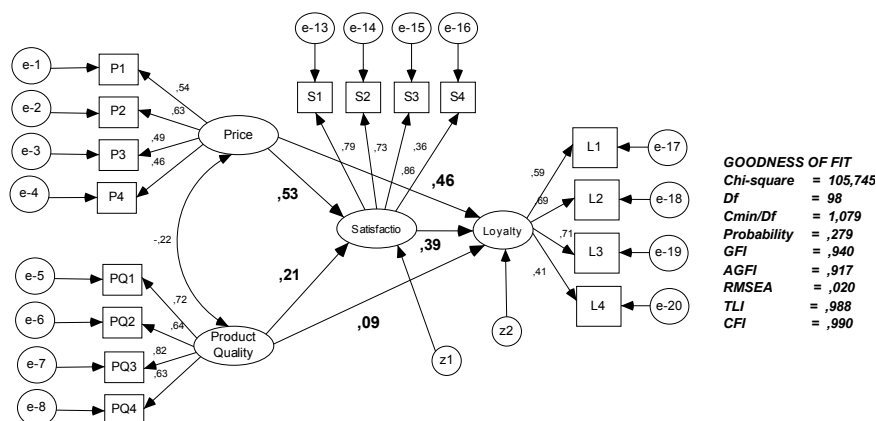


Figure 2. Path Co-efficients of the Model Study

Hypothesis Test

After the criteria of goodness of fit test accepted, then the next stage is hypothesis test analysis. The following is the result of hypothesis test in this research,

Constructs	Hypothesis	B	S.E.	C.R.	P	Support
Price → Satisfaction	H1	0.527	0.203	4.207	***	Yes
ProdQuality → Satisfaction	H2	0.209	0.108	2.374	0.018	Yes
Price → Loyalty	H3	0.455	0.190	3.053	0.002	Yes
ProdQuality → Loyalty	H4	0.087	0.085	0.982	0.326	No
Satisfaction → Loyalty	H5	0.392	0.087	3.539	***	Yes

Source: Primary Data Processed, (2017)

The probability value of price influence on customer satisfaction is 0.000 less than 0.05 ($\alpha = 5\%$). So it is concluded that the price has a significant effect on customer satisfaction. Based on this result the first hypothesis of research (H1) which suspect price variable have an effect on to customer satisfaction has been proven. The value of Standardized estimate of 0,203 indicates a positive direction between price and customer satisfaction. This shows that the variable price has a significant effect on customer satisfaction. The price offered by Tanjungbumi batik is considered very good by customers. Although prices are increasing every year but customers are satisfied with the price offered. This is because the higher the price is adjusted also with the advantages of batik Tanjungbumi products itself. So in this case customers feel getting a satisfaction and they become insensitive to the price of the product itself. Customers will continue to re-purchase batik Tanjungbumi products during the price increase in accordance with what is obtained.

The probability value of the influence of product quality to customer satisfaction is 0.018 less than 0.05 ($\alpha = 5\%$). So concluded the quality product has a significant effect on customer satisfaction. Based on this result the second hypothesis of research (H2) which assumes quality product variable has an effect on to customer satisfaction has been proven. The value of Standardized estimate of 0.108 indicates the positive direction of quality product to customer satisfaction. This shows the better the quality product of Tanjungbumi batik, the higher the level of customer satisfaction.

The probability value of the effect of price to customer loyalty is 0.002 less than 0.05 ($\alpha = 5\%$). So concluded the price has a significant effect on customer loyalty. Based on this result the third hypothesis of research (H3) which suspect variable of price influence to customer loyalty has been proven. Value of Standardized estimate price of 0.190 shows the positive direction of price to customer loyalty. Higher customer satisfaction is proven to increase customer loyalty.

The probability value of the effect of product quality to customer loyalty is 0.326 more than 0.05 ($\alpha = 5\%$). So concluded the product quality has not a significant effect on customer loyalty. Based on this result the fourth hypothesis of research (H4), which assume variable of product quality influences to customer loyalty has been unproven. Value of Standardized estimate product quality of 0.085 shows the positive direction of product quality to customer loyalty.

The probability value of the effect of customer satisfaction to customer loyalty is 0.000 less than 0.05 ($\alpha = 5\%$). So concluded the customer satisfaction has a significant effect on customer loyalty. Based on this result the fifth hypothesis of research (H5), which suspect variable of customer satisfaction influence to customer loyalty has been proven. Value of Standardized estimate product quality of 0.087 shows the positive direction of customer satisfaction to customer loyalty.

Recommendations For Future Research

The study would like to provide some recommendations and provide opportunities for researchers in the future to perfect. First, it is hoped that in the future this research can be further developed through collecting data from a larger sample size. So that it will increase the generalization of this study. Furthermore, this research model can also be developed by adding new variables and testing the effects of mediation and moderation. Last but not least, it will also be interesting if this study is extended by conducting a comparative study possible by collecting data from two different countries and comparing the results.

Conclusions

The results of this study indicate that: Price has a significant effect on customer satisfaction and customer loyalty Batik Tanjungbumi, Bangkalan. This result illustrates that the price of Madura batik is as expected by consumers, so consumers feel satisfied and loyal to Madura batik. This can be used as a management strategy to increase the loyalty of Batik Tanjungbumi, Bangkalan customers. Product quality has a significant positive influence on customer satisfaction, but does not have a significant effect on customer loyalty. This illustrates that the good quality of Madura batik products will have an influence on customer satisfaction, but does not affect customer loyalty. Of the three independent variables, product quality shows the highest estimated of customer loyalty. Customer satisfaction has a significant and positive impact on customer loyalty. This shows that someone will buy back if satisfaction with the product is fully fulfilled. This illustrates that a satisfied customer is sure to be a loyal customer.

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