International Journal of Business and Applied Social Science (IJBASS)

E-ISSN: 2469-6501
VOL: 7, ISSUE: 9
September/2021
DOI: http://dx.doi.org/10.33642/ijbass.v7n9p5

The Effect of Product Quality and Price Policy On Consumer Loyalty Through the Variables of Customer Satisfaction Ulamm Pt. Permodalan Nasional Madani (Persero) Bekasi Branch

Aisya Cindyta Zahra[1], Suharto[2], Dr. Iwan Kurniawan Subagja[3]
Universitas Krisnadwipayana
Campus Unkris Jatiwaringin PO BOX 7774/Jat CM Jakarta 13077, Indonesia
Email: aisyacindyta@gmail.com
Indonesia

ABSTRACT

This study aims to determine the effect of product quality on consumer loyalty, the effect of price policy on consumer loyalty, the influence of consumer satisfaction on consumer loyalty, the influence of product quality on customer satisfaction, the influence of price policy on consumer satisfaction, the influence of product quality on consumer loyalty through the variable customer satisfaction, and knowing the effect of price policy on consumer loyalty through customer satisfaction variables. This research was conducted at Pt. Permodalan Nasional Madani (Persero) Bekasi branch involving 98 consumers of the company. Data analysis used path analysis with partial least square (PLS) model with t-test.

Based on data analysis, it is found that product quality has a significant effect on consumer loyalty. The analysis in this path is the effect of product quality on consumer loyalty. Price policy has a significant effect on consumer loyalty.

Satisfaction has a significant effect on consumer loyalty. The analysis in this path is the effect of customer satisfaction on customer loyalty. Product quality has a significant effect on satisfaction. The analysis in this pathway is the effect of product quality on customer satisfaction. Price policy has a significant effect on satisfaction. Analysis in this pathway is the effect of price policy on customer satisfaction.

The consumer satisfaction variable is not a moderating variable. The analysis on this path is the effect of product quality on consumer loyalty through customer satisfaction. The consumer satisfaction variable is not a moderating variable. The analysis in this path is the effect of price policy on consumer loyalty through customer satisfaction.

Keywords: product quality, pricing policy, customer satisfaction, customer loyalty.

Introduction

Consumer loyalty is needed to develop the products the company sells. According to Grammer and Brown (2004), loyalty is the degree to which consumers show repeat purchase behavior from service providers, have a proactive or positive attitude towards service providers, and only consider using service providers as needed. Consumer loyalty is influenced by various factors such as product quality, pricing policy, and customer satisfaction. According to Kotler and Armstrong (2012), product quality is the ability of a product to perform its functions. This includes overall durability, reliability, accuracy, ease of operation, product repair, and other product attributes.

According to Nasution (2005), product quality is a dynamic condition related to products, people/labor, processes, and tasks, and the environment meets or exceeds consumer expectations. According to Tjiptono (2012), product quality is the expected level and controlling diversity in achieving that quality to meet consumer needs. According to Prawirosentono (2002), product quality is the physical condition, function, and nature of a product concerned that can satisfy the tastes and needs of consumers satisfactorily according to the value of the money spent. According to Kotler and Keller (2012), product quality is the ability of an item to provide relevant results or performance even beyond what the customer wants.

Another factor that has an impact on consumer loyalty is price policy. According to Moekijat (2003:441) regarding: "Price, the policy is a decision regarding prices to be followed for a certain period." From the description above, it can be concluded that the price policy set by the company, usually the price policy is valid for a while during the company's profitable period. Therefore, the company must follow the price developments and market situation. The price element is changed or not at a particular time. If during a specific period the situation is favorable, then the price policy will be reviewed if the company's situation and conditions change so that it is no longer possible to maintain it so that producers and consumers are not harmed by each other.

Consumer satisfaction is also predicted to affect consumer loyalty. Overall consumer satisfaction indicates an attitude toward a service provider or an emotional reaction to the discrepancy between customers' expectations and what they receive. Satisfaction is a function of perceived performance and expectations. If performance is below expectations, customers will be dissatisfied. If performance exceeds expectations, the customer will feel very satisfied or happy.

Literature Review

Product Quality

Product quality is the physical condition, function, and nature of a product, whether goods or services, based on the expected level of quality such as durability, reliability, accuracy, ease of operation, product repair, and other product attributes intending to meet and satisfy consumer or customer needs.

International Journal of Business and Applied Social Science (IJBASS)
E-ISSN: 2469-6501
VOL: 7, ISSUE: 9
September/2021
DOI: http://dx.doi.org/10.33642/ijbass.v7n9p5

Product quality is one of the keys to competition among business actors who are offered to consumers. Consumers always want to get quality products according to the price paid, although some people think that expensive products are quality. If the company can implement this, then the company will continue to satisfy consumers and increase the number of consumers.

Product quality is an important thing that every company must strive for if they want their products to compete in the market. The existence of a reciprocal relationship between companies and consumers will provide opportunities to know and understand the needs and expectations that exist in consumer perceptions. So, product provider companies can provide good performance to achieve consumer satisfaction by maximizing a pleasant experience and minimizing an unpleasant experience for consumers in consuming the product.

According to Kotler and Armstrong (2012), product quality is the ability of a product to perform its functions. This includes overall durability, reliability, accuracy, ease of operation, product repair, and other product attributes. According to Nasution (2005), product quality is a dynamic condition related to products, people/labor, processes, and tasks, and the environment that meets or exceeds consumer expectations. According to Tjiptono (2012), product quality is the expected level and controlling diversity in achieving that quality to meet consumer needs. According to Prawirosentono (2002), product quality is the physical condition, function, and nature of a product concerned that can satisfy the tastes and needs of consumers satisfactorily according to the value of the money spent. According to Kotler and Keller (2012), product quality is the ability of an item to provide relevant results or performance even beyond what the customer wants.

According to Gaspersz (2008), the dimensions of product quality are performance is the primary operating characteristic of the core product and can be defined as the appearance of an authentic product. The performance of a product is a reflection of how a product is presented or displayed to consumers. The level of performance measurement refers to the level of the essential characteristics of the product it operates. A product is said to behave a good performance if it can meet expectations. For each product/service, the performance dimension can be different, depending on the functional value promised by the company. For the food business, the performance dimension is good taste.

1. Reliability is the level of the constraint of a product or the consistency of the reliability of a product in its operational process in the eyes of consumers. The reliability of a product is also a measure of the probability that a product will not be damaged or fail within a certain period. A product is said to have high reliability when it can attract consumers' trust regarding the quality and reliability of a product. The dimensions of performance and reliability at first glance are almost the same but have apparent differences. Reliability shows the probability of the product performing its function.
2. Features are secondary or complementary characteristics and can be defined as the completeness level of the attributes in a product. At some point, the performance of each brand is almost the same, but the difference lies in the features. This also resulted in consumer expectations of relatively homogeneous performance dimensions and expectations of relatively heterogeneous features.
3. Conformity is the extent to which the design and operating characteristics meet predetermined standards and can be defined as the degree to which all units produced are identical and meet the promised target specifications. The above definition can be explained that the conformance level is accurate when the product -Products marketed by manufacturers have been under the company's plans, which means they are products that the majority of consumers want.

Price Policy

Experts make many definitions to explain the meaning of the policy. According to Moekijat (2003:441) regarding: "Price, policy is a decision regarding prices to be followed for a certain period." From the description above, it can be concluded that the price policy set by the company, usually the price policy is valid for a while during the company's profitable period. Therefore, the company must follow the price developments and market situation. The price element is changed or not at a particular time. If during a specific period the situation is favorable, then the price policy will be reviewed if the company's situation and conditions change so that it is no longer possible to maintain it so that producers and consumers are not harmed by each other.

According to Kotler (2002:56). In preparing the pricing policy, the company follows the procedures in the pricing stage, namely:

1. The company must decide where it wants to position its market offering. The clearer the company's goals, the easier it is to set prices. Through pricing, companies can pursue one of five main objectives: survival, maximum current profit, maximum market share, maximum market skimming, or product quality leadership. Companies can pursue survival as a primary goal if they experience excess capacity, intense competition, or changing consumer desires. Companies that want to maximize market share believe that high sales volume will result in lower unit costs and higher long-term profits.
2. Each price charged by the company will produce a different level of demand and, therefore, will have a different effect on its marketing objectives. Under normal circumstances, demand and price are inversely related: the higher the price, the lower the demand. In

International Journal of Business and Applied Social Science (IJBASS)

E-ISSN: 2469-6501
VOL: 7, ISSUE: 9
September/2021
DOI: http://dx.doi.org/10.33642/ijbass.v7n9p5

forecasting demand, it is necessary to understand the factors that affect price sensitivity. Nagle has identified nine factors: (1) Unique value effect: buyers are less sensitive to price if the product is more unique. (2) The effect of awareness on substitute products, (3) The effect of difficult price-quality comparisons, (4) the effect of spending on total consumer income, (5) the effect of final benefits, (6) the effect of joint costs, (7) the effect of embedded investment, (8) the effect of quality-price, (9) the effect of inventory. Companies generally also attempt to measure their demand curve. In doing so, they can use several methods. The first involves statistical analysis of data on past prices, quantities sold, and other factors. The second approach is to conduct price experiments.

3. There are two kinds of company costs, namely fixed costs and variable costs. Fixed costs are costs that are not affected by production or sales. Examples of fixed costs are employee salaries, rental costs, and others regardless of the company's production output. At the same time, variable costs are costs that change according to the level of production. To set prices correctly, management needs to know how costs vary when production levels change. Japanese companies often use a method called target costing. Companies use market research to determine the desired functions of a new product. The company then determines the selling price of the product by taking into account the attractiveness of the product and the price of competitors. The company subtracts the desired profit margin from that price so that the target cost is achieved.
4. Within the range of possible prices determined by market demand and company costs. Companies must take into account competitors' costs, competitors' prices, and possible price reactions by competitors. If the company's offer is similar to that of its main competitor, then the company must set a price close to the competitor's price, or the company will lose sales. If the company's offer is of inferior quality, it cannot charge a higher price than competitors. If the company's offerings are of higher quality, the company can charge a higher price than competitors. However, the company must be aware that competitors can change their prices in response to its prices.
5. With three curves of customer demand, a cost function, and a competitor's price, the company must now choose a price. Competitor prices and substitute prices are the orientation points that companies need to consider in setting prices.

Consumer Loyalty

Loyalty is a manifestation of the fundamental human need to support, gain a sense of security, build attachment, and create emotional attachments (Kartajaya,2007:126). According to Sutisna (2003:41), loyalty is a favorable attitude towards a brand presented in a consistent purchase of the brand over time. Meanwhile, Tjiptono (2012:110) states that customer loyalty is a customer's commitment to a brand, store, supplier based on a very positive attitude and is reflected in consistent repeat purchases.

Customer loyalty is a behavioral impulse to make repeated purchases, and to build customer loyalty to a product/service produced by the business entity takes a long time through repeated purchases (Gibson, 1994:75). Customers are said to be loyal or loyal if the customer shows normal buying behavior or there is a condition requiring the customer to buy at least twice in a specific time interval. Efforts to provide satisfaction are made to influence customer attitudes, while the concept of customer loyalty is more related to behavior than attitude from customers (Griffin, 2005:46).
Customer loyalty is influenced by five factors, namely (Gaffar, 2007):

1. Satisfaction. Customer satisfaction is a measurement of the gap between customer expectations and the reality they receive or feel.
2. Emotional bonding. Consumers can be influenced by a brand with its charm so that consumers can be identified in a brand because a brand can reflect the characteristics of these consumers. The bond created from a brand is when consumers feel a strong bond with other consumers who use the same product or service.
3. Trust. The willingness of a person to entrust a company or a brand to perform or perform a function.
4. Choice reduction and habit. Consumers will feel comfortable with a quality product and brand when their transaction situation provides convenience. Part of consumer loyalty, such as regular product purchases, can be based on accumulated experience over time.
5. History with the company. A person's experience in the company can shape behavior.

Consumer Satisfaction

Overall consumer satisfaction indicates an attitude toward a service provider or an emotional reaction to the discrepancy between customers' expectations and what they receive. Satisfaction is a function of perceived performance and expectations. If performance is below expectations, customers will be dissatisfied. If performance exceeds expectations, the customer will feel very satisfied or happy.

According to Tjiptono (2012), consumer satisfaction is a person's feeling of pleasure or disappointment that arises after comparing the perception of a product's performance (result) with his expectations. According to Daryanto and Setyobudi (2014), consumer satisfaction is an emotional assessment of consumers after they use products where their expectations and needs are met. According to Kotler and Keller (2012), consumer satisfaction is feelings of pleasure or

International Journal of Business and Applied Social Science (IJBASS)
E-ISSN: 2469-6501
VOL: 7, ISSUE: 9
September/2021
DOI: http://dx.doi.org/10.33642/ijbass.v7n9p5

disappointment resulting from comparing the product's perceived performance with expectations.

According to Ferrinadewi (2005), consumer satisfaction is a consumer's assessment of the features of a product or service that successfully provides fulfillment of needs at a pleasant level, both below and above expectations. According to Yamit (2005), consumer satisfaction is a post-purchase evaluation or evaluation result after comparing what is felt with expectations.

According to Lupiyoadi (2001), several factors can affect consumer satisfaction, namely as follows:

1. Customers will be satisfied if their evaluation results show that the products they use are of high quality. Rational consumers always demand quality products for every sacrifice made to obtain these products. In this case, good product quality will provide added value in the minds of consumers.
2. Quality of service, especially in the service sector, customers will feel satisfied if they get good service or what is expected. Satisfied customers will show the possibility to repurchase the same product. Satisfied customers tend to give a perception of the company's products.
3. Customers will feel proud and gain confidence that other people will be amazed by him when using a product with a particular brand which tends to have a higher level of satisfaction. Satisfaction obtained. Not because of the quality of the product but social value or self-esteem that makes customers satisfied with specific brands.
4. Products with the same quality but a relatively low price will provide higher value to their customers. Low prices are an essential source of satisfaction for sensitive customers because they will get high value for money. This price component is relatively unimportant for those who are not priced sensitive.
5. The ease of obtaining the product or service and the ease of payment can make customers more satisfied if it is relatively easy, comfortable, and efficient to obtain a product or service. Customers who do not need to incur additional costs or do not need to waste time to get a product or service tend to be satisfied with the product or service.

Research Methods

Research Time and Location

The research will be conducted in January-March 2021 by taking the location at PT. Permodalan Nasional Madani (Persero) Bekasi Branch.

Research Design

This study uses a descriptive analysis approach. This means that each variable presented in the hypothesis will be observed by testing the independent variable's causal relationship to the dependent variable. The population in this study customers at PT. Permodalan Nasional Madani (Persero) Bekasi Branch. In comparison, the sample used includes 98 corporate consumers. This sampling used the accidental sampling method. This sampling is based on consumers who come to the company to take advantage of the company's services.

Research Result

The overall path analysis model can be seen in the following figure.

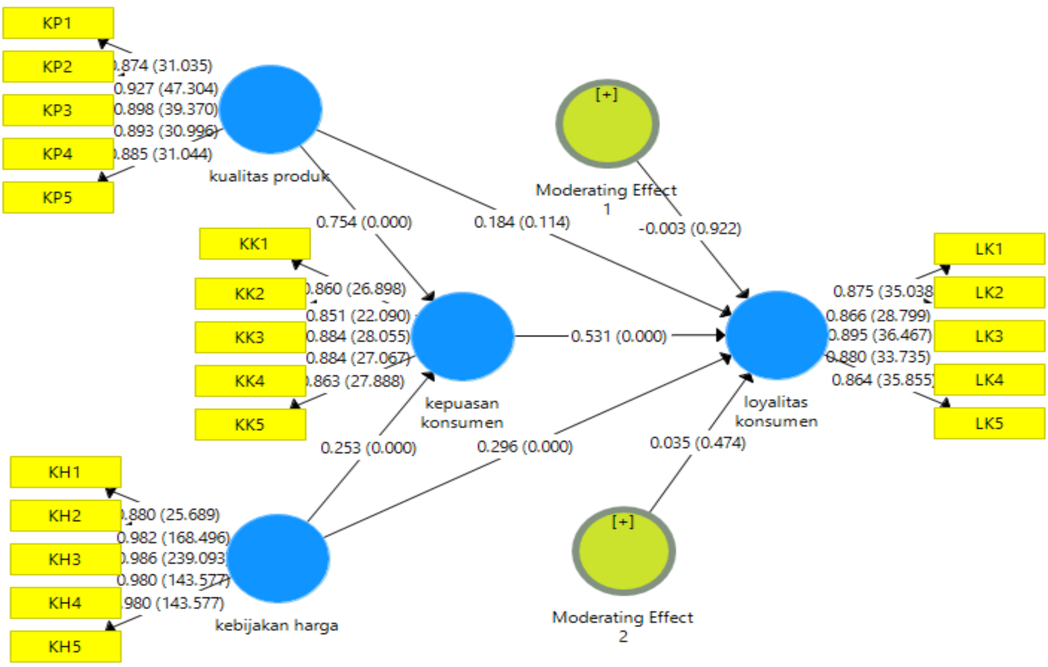

Figure 1. Overall analysis The figure above shows the overall path analysis.

International Journal of Business and Applied Social Science (IJBASS)
E-ISSN: 2469-6501
VOL: 7, ISSUE: 9
September/2021
DOI: http://dx.doi.org/10.33642/ijbass.v7n9p5

The images can be described sequentially as follows.

Table 1. The Value Of The Loading Factor and The Significance of Each Path

Path	Picture	T - Count	P-Value	Significant
1	X1→Y	1,582	0,000	Significant
2	X2→Y	4,160	0,000	Significant
3	X3→Y	3,560	0,000	Significant
4	X1→X3	1,266	0,000	Significant
5	X2→X3	3,809	0,000	Significant
6	X1→X3→Y	0,098	0,474	Not Significant
7	X2→X3→Y	0,716	0,922	Not Significant

One Path Analysis

This path analyzes the effect of product quality (X1) on consumer loyalty (Y). The loading factor value is 0.184. This value has a value equal to 1.582 with a significance of 0.00 or less than 0.05 so that it can be said that product quality has a significant effect on consumer loyalty.

Second Path Analysis

This path analyzes the effect of price policy (X2) on consumer loyalty (Y). The loading factor value is 0.253. This value has a value equal to 4.162 with a significance of 0.00 or less than 0.05 so that it can be said that price policy has a significant effect on consumer loyalty.

Third Path Analysis

Analysis on this path is consumer satisfaction (X3) on consumer loyalty (Y). The loading factor value is 0.531. This value has a value equal to 3.560 with a significance of 0.00 or less than 0.05 so that it can be said that satisfaction has a significant effect on consumer loyalty.

Fourth Path Analysis

Analysis on this path is the influence of product quality on consumer satisfaction (X3). The loading factor value is 0.754. This value has a value equal to 1.266 with a significance of 0.00 or less than 0.05 so that it can be said that product quality has a significant effect on satisfaction.

Fifth Path Analysis

Analysis on this path is the effect of price policy on consumer satisfaction (X3). The loading factor value is 0.253. This value has a value equal to 3.809 with a significance of 0.00 or less than 0.05, so it can be said that the price policy has a significant effect on satisfaction.

Sixth Path Analysis

Analysis on this path is the influence of product quality on consumer loyalty (Y) through customer satisfaction (X3). The value of the loading factor moderating effect is 0.035. The calculated t-value is 0.098, and the p-value is 0.474. This value is more significant than 0.05. Based on this, it can be concluded that consumer satisfaction is not a moderating variable.

Seventh Path Analysis

This path analyzes the influence of price policy on consumer loyalty (Y) through customer satisfaction (X3). The loading factor value is -0.003. The value of the t count is 0.716. The p-value is 0.922. This value is more significant than 0.05. Based on this, it can be concluded that the consumer satisfaction variable is not a moderator variable.

Discussion

Product quality affects consumer loyalty. This is in line with previous research. Previous research has shown that product quality affects consumer loyalty in consuming products. This research was conducted in several companies. The better the product quality, the more consumer loyalty is also expected to increase (Djumarno et al., 2018).

Price policy affects consumer loyalty. These results are the same as previous studies. The price policy is also predicted to affect consumer loyalty in consuming goods. This research is also mostly done on many consumers in the company. The better the price policy, the higher the consumer loyalty (Putra et al., 2017).

Consumer satisfaction also affects consumer loyalty. In previous studies, consumer satisfaction also affects consumer loyalty. The higher the customer satisfaction, the better customer loyalty is also expected. This research was also conducted on several company consumers and showed that the effect was positive (Susanto, P. H., & Subagja, I. K. (2019).

Conclusions and Suggestions

Conclusion

Product quality has a significant effect on consumer loyalty. This path analyzes the effect of product quality (X1) on consumer loyalty (Y). The loading factor value is 0.184. This value has a value equal to 1.582 with a significance of 0.00 or less than 0.05.

Price policy has a significant effect on consumer loyalty. This path analyzes the effect of price policy (X2) on consumer loyalty (Y). The loading factor value is 0.253. This value has a value equal to 4.162 with a significance of 0.00 or less than 0.05.

Satisfaction has a significant effect on consumer loyalty. The analysis in this path is consumer satisfaction (X3) on consumer loyalty (Y). The loading factor value is 0.531. This value has a value equal to 3.560 with a significance of 0.00 or less than 0.05.

Product quality has a significant effect on satisfaction. The analysis in this path is the effect of product quality on consumer satisfaction (X3). The loading factor value is 0.754. This value has a value equal to 1.266 with a significance of 0.00 or less than 0.05.

International Journal of Business and Applied Social Science (IJBASS)

E-ISSN: 2469-6501
VOL: 7, ISSUE: 9
September/2021
DOI: http://dx.doi.org/10.33642/ijbass.v7n9p5

Price policy has a significant effect on satisfaction. The analysis in this path is the effect of price policy on consumer satisfaction (X3). The loading factor value is 0.253. This value has a value equal to 3.809 with a significance of 0.00 or less than 0.05.

The consumer satisfaction variable is not a moderating variable. Analysis on this path is the influence of product quality on consumer loyalty (Y) through customer satisfaction (X3). The value of the loading factor moderating effect is 0.035. The calculated t-value is 0.098, and the p-value is 0.474. This value is more significant than 0.05.

The consumer satisfaction variable is not a moderator variable. This path analyzes the effect of price policy on consumer loyalty (Y) through consumer satisfaction (X3). The loading factor value is -0.003. The value of the t count is 0.716. The p-value is 0.922. This value is more significant than 0.05.

Suggestion

To increase consumer loyalty, companies need to improve product quality, price policies and increase customer satisfaction. Product quality needs to be improved by improving product performance by improving product specifications required by consumers. Companies also need to improve pricing policies. The price charged on the product should be by the ability of consumers. Consumer satisfaction also needs to be considered. Consumer satisfaction comes from whether the resulting product has met consumer expectations. Therefore, the factors that influence customer satisfaction also need to be considered. These factors include product quality, product price, and product value to meet daily needs.

References

Amstrong, Gary & Philip, Kotler. (2012) Dasar-Dasar Pemasaran. Jilid I, Alih Bahasa Alexander Sindoro dan Benyamin Molan. Jakarta: Penerbit Prenhalindo.

Brown, Douglas.H. (2004). Language Assessment: Principle and Classroom Practice. USA: Pearson Education, Inc.

Daryanto, & Setyobudi, I. (2014). Konsumen dan pelayanan prima. Yogyakarta: Gava Media.

Djumarno, Sjafar, O & Djamaluddin, S. (2018). Effect of product quality and price on customer loyalty through customer satisfaction. International Journal of Business and Management Invention (IJBMI), 7(8), 13–20.

Fandy Tjiptono. (2012). Strategi Pemasaran, ed. 3, Yogyakarta, Andi.

Ferrinadewi, Erna. (2005). Atribut Produk yang Dipertimbangkan dalam Pembelian Komestik dan Pengaruhnya pada Kepuasan Konsumen di Surabaya. Jurnal Manajemen dan Kewirausahaan, Volume Ketujuh, No.2. September 2005.

Gaffar, Vanessa. (2007). Customer Relationship Management and Marketing Public Relation. Bandung: Penerbit Alfabeta.

Gaspersz, Vincent. (2008). "Total Quality Control". Jakarta: PT. Gramedia Pustaka Utama.

Gibson, James L., John M. Ivancevich dan James H. Donnelly, Jr. (1994). Organisasi dan Manajemen. Perilaku, Struktur, Proses. Edisi keempat. Jakarta: Erlangga.

Griffin, (2005), Customer Loyalty, Jakarta: Penerbit Erlangga.

Kartajaya, Hermawan, at. al. (2007). Memenangkan Persaingan Dengan Segitiga Positioning, Diferensiasi Dan Brand, Bandung: Mizan Pustaka.

Kotler, P. & Keller, K.L. (2012), Manajemen Pemasaran Jilid I Edisi ke 12. Jakarta: Erlangga.

Kotler, Philip, (2002), Marketing Management, The Millenium Edition.

Lupiyoadi, (2001), Manajemen pemasaran jasa teori dan praktik: Salemba empat.

Moekijat. (2003). Teori Komunikasi. Bandung: Mandar Maju.

Nasution, M. N. (2005). Manajemen Mutu Terpadu: Total Quality Management, Edisi Kedua, Ghalia Indonesia, Bogor.

Prawirosentono, Suyadi. (2002). Manajemen Sumber Daya Manusia: Kebijakan Kinerja Karyawan. Edisi 1. Cetakan Kedelapan. BPFE. Yogyakarta.

Putra, Erwinsyah. (2015). Pengaruh Bauran Pemasaran Jasa terhadap Kepercayaan Merek (Brand Trust) dan Dampaknya Pada Keputusan Mahasiswa Memilih Kuliah di Politeknik Aceh. Jurnal Manajemen Pascasarjana Universitas Syiah Kuala. Vol. 4, No. 1, Februari 2015 ISSN 2302-0199. Hal. 174-185.

Susanto, P. H., & Subagja, I. K. (2019). Pengaruh Kualitas Layanan, Kepuasan Nasabah Dan Citra Perusahaan Terhadap Loyalitas Nasabah Pt. BANK CENTRAL ASIA Tbk Kantor Cabang Pondok Gede Plaza. *Jurnal Manajemen Bisnis Krisnadwipayana*, *7*(1), 69-84.

Sutisna, (2003). Perilaku Konsumen dan Komunikasi Pemasaran, Cetakan Ketiga. Bandung: PT. Remaja Rosdakarya.

Yamit, Zulian. (2005). Manajemen Kualitas Produk dan Jasa. Yogyakarta: Ekonisia.