

## THE INFLUENCE OF PRICE AND PRODUCTS ON CUSTOMER LOYALTY WITH CUSTOMER SATISFACTION AS A MEDIATION VARIABLE ON CUSTOMER BISCUIT BRAND HATARI SEE HONG PUFF

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### ABSTRACT

*The data analysis technique in this study used two statistical approaches, namely descriptive statistics and inferential statistics with SEM (Structural Equation Modeling) models. The results showed that: (1) price had a positive but not significant effect on customer satisfaction, (2) product had a positive and significant effect on customer satisfaction, (3) price had a positive and significant effect on customer loyalty, (4) product had a positive and significant effect on customer loyalty, (5) customer satisfaction had a positive but not significant effect on customer loyalty, (6) price through customer satisfaction had a positive but not significant effect on customer loyalty, and (7) products through customer satisfaction had a positive but not significant effect on customer loyalty.*

Keywords: Price, Product, Customer Satisfaction, and Customer Loyalty

### INTRODUCTION

Nowadays, loyalty is the focus of several companies because it has a big impact on the business they run. To carry out buying and selling, expanding trademarks, creating switching costs for competitors, and strengthening gaining power are positive targets for customer loyalty on the way to marketing. Price is one of the things in getting customer loyalty. The important role of price in customer loyalty. The important role of price in customer loyalty is that the cheaper the product price, the customer loyalty increases, but a low price on the product cannot guarantee good quality. Good product quality at a higher price will create customer loyalty. High price increases cause customer loyalty to be low which results in customer complaints and protesting price increases.

Hatari See Hong Puff Biscuits are malkist sprinkled with sugar. Hatari See Hong Puff Biscuits, packaged in plastic weighing 260 grams, have been known to the Indonesian people for a long time. The Hatari brand has long survived in various competitors because of its delicious taste and quite attached to Indonesian people. Like the phenomenon that occurs Hatari See Hong Puff Biscuits that fail to satisfy the price and quality of their products will face complex problems. There are customers who are not quite satisfied with a brand and they share their bad experiences with others and will create losses from failing to satisfy customers. Price and product quality are seen as one of the determining factors in the selection of products and services that can satisfy customers.

Customer disloyalty can be an impact caused by customers feeling disappointed with the price and taste of Hatari See Hong Puff biscuit products due to the lack of ability of company employees to respond to customer needs and complaints. Seeing these conditions, to be able to survive in the current competition, Hatari See Hong Puff biscuits must be able to meet customer desires and needs through price, product, and customer satisfaction to keep customers loyal to Hatari See Hong Puff biscuits. In addition, Hatari See Hong Puff biscuits must also be able to provide something different to their customers so they don't get bored quickly and can result in switching to other products.

### THEORETICAL BASIS

#### Price

Indicators of characterizing prices that are able to create customer loyalty is one of them is the suitability of the price with the benefits obtained. This takes place where consumers decide to buy the product because the benefits consumed are commensurate with the price set by the company and vice versa if consumers feel the benefits of the product are smaller than the price issued then customer loyalty will not be created Kotler dan Armstrong (2012:318).

#### Product

Product quality is everything about the products offered by the company to be noticed, requested, used by consumers. Product quality can affect consumer satisfaction where the higher the level of product quality, the higher the level of consumer satisfaction produced and is linear with the level of consumer loyalty Kotler dan Keller (2009: 144).

#### Customer satisfaction

Consumer satisfaction and customer loyalty are influenced by price, where consumers usually make purchases looking at the price. Consumers tend to assume that low prices are relative to low product quality and conversely high prices are relative

to higher product quality. If the price does not affect customer satisfaction and customer loyalty then the price created by the company is not in accordance with the wishes of consumers Zeithaml dan Bitner (1996).

### Customer Loyalty

The theory of satisfaction is that consumer satisfaction and dissatisfaction is part of the impact of comparing consumer expectations with products. When making a purchase where the product does not meet consumer expectations, consumers will be disappointed and consumers will not feel satisfied and loyal Sangadji & Sopiah (2013 : 183).

### RESEARCH METHODS

This research uses quantitative research methods. Secondary data in this study was obtained from the nearest market/supermarket that sells Hatari See Hong Puff Biscuits. The sample used in the Structural Equation Modeling research, which is then written as SEM, is a minimum of 100 samples (Ferdinand, 2015: 80). According to Ghozali (2016:64) in SEM the sample size ranges between 100-200. The indicators in this study are 17 indicators, so the minimum sample size is  $8 \times 17 = 136$  samples, so the sample of this study is 136 consumers as respondents. The sampling technique used is simple random sampling technique, which means that the sampling process with the same elements and opportunities is then selected as a sample (Sugiyono, 2017:122).

This study uses a Likert scale Sugiyono (2017 : 93), the variables that will be translated into indicator variables, which are used as benchmarks for compiling answers from indicators (Top Score Questionnaire Answers) can be seen in the following Table:

**Table 1. Top Score Questionnaire Answers**

No.	Answer Type	Score
1.	Strongly agree	5
2.	Agree	4
3.	Doubtful	3
4.	Do not agree	2
5.	Strongly disagree	1

### RESEARCH RESULT

#### Data Quality Test

#### Convergent Validity Test

For AVE values above 0.50, the model is categorized as having high Convergent Validity. The following is the AVE value seen in Table 2.

**Table 2. Average Variance Extracted**

	Cronbach's Alpha	AVE
Price	0.831	0.663
Product	0.873	0.727
Customer Satisfaction	0.847	0.615
Customer Loyalty	0.750	0.570

#### Discriminant Validity Test

Discriminant validity is accepted, then it is seen from the cross-loading test and the results of the Fornell Larcker Criterion. For cross loading, the indicator of each variable must have a higher value than the other variables. The following is the cross-loading value seen in Tabel 3 and Fornell Larcker Criterion seen in Tabel 4.

Table 3. Cross Loadings

	Price	Product	Customer Satisfaction	Customer Loyalty
H1	0.827	0.342	0.387	0.462
H2	0.799	0.452	0.462	0.495
H3	0.784	0.359	0.313	0.451
H4	0.846	0.513	0.388	0.547
P1	0.435	0.766	0.597	0.569
P2	0.515	0.902	0.662	0.686
P3	0.301	0.822	0.515	0.600
P4	0.491	0.911	0.739	0.645
KP1	0.417	0.582	0.815	0.577
KP2	0.380	0.392	0.764	0.437
KP3	0.345	0.362	0.764	0.465
KP4	0.464	0.817	0.816	0.589
KP5	0.246	0.614	0.760	0.450
LP1	0.580	0.727	0.512	0.840
LP2	0.285	0.636	0.377	0.719
LP3	0.410	0.396	0.473	0.751
LP4	0.511	0.396	0.617	0.704

Table 4. Fornell Larcker Criterion

	Price	Product	Customer Satisfaction	Customer Loyalty
Price	0.814			
Product	0.517	0.852		
Customer Satisfaction	0.480	0.743	0.784	
Customer Loyalty	0.603	0.735	0.653	0.755

### Composite Reliability

The accepTabel composite reliability is between the range of 0.60 to 0.70 (According to Hair, 2014). The Composite Reliability value can be seen in Table 5.

Table 5. Cronbach Alpha and Composite Reliability

	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Price	0.831	0.836	0.887	0.663
Product	0.873	0.883	0.914	0.727
Customer Satisfaction	0.847	0.867	0.889	0.615
Customer Loyalty	0.750	0.772	0.841	0.570

### Coefficient of Determination / Goodness of Fit (R2) Test

Examination of R2 can be seen from the R-square value. Based on data processing using SmartPLS 3.0, the R-Square value can be seen in Table 6.

Table 6. R-Square Value

	R Square	Adjusted R Square
Customer Satisfaction	0.565	0.558
Customer Loyalty	0.622	0.613

### Direct Effects

#### Direct Effects Between Variables

The results of data processing for the direct effect between variables using SmartPLS 3.0 can be depicted in Figure 1 and Table 7.

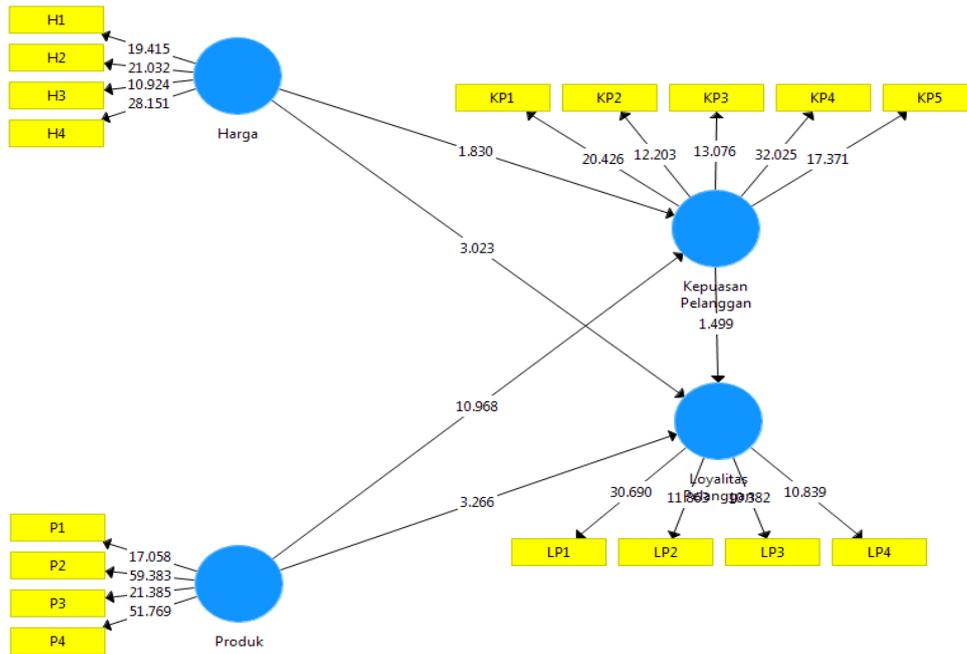


Figure 1. Structural Model Testing (Bootstrapping)

Table 7. Direct Effects Between Variables

	Original Sample (O)	T Statistic	P Values	Conclusion
Price → Customer Satisfaction	0.131	1.830	0.068	Rejected
Product → Customer Satisfaction	0.675	10.968	0.000	Accepted
Price → Customer Loyalty	0.281	3.023	0.003	Accepted
Product → Customer Loyalty	0.456	3.266	0.001	Accepted
Customer Satisfaction → Customer Loyalty	0.179	1.499	0.135	Rejected

**Indirect Effects Between Variables**

The results of data processing for the indirect effect between variables using SmartPLS 3.0 can be depicted in Table 8.

Table 8. Indirect Effects Between Variables

	Original Sample (O)	Sample Average (M)	Standard Deviation (STDEV)	T Statistic	P Values	Conclusion
Price → Customer Satisfaction → Customer Loyalty	0.023	0.026	0.023	1.034	0.302	Rejected
Product → Customer Satisfaction → Customer Loyalty	0.121	0.138	0.086	1.417	0.157	Rejected

**Total Effects Between Variables**

The results of data processing for the total effect between variables using SmartPLS 3.0 can be depicted in Table 9.

**Table 9. Total Effects Between Variables**

	Original Sample (O)	Sample Average (M)	Standard Deviation (STDEV)	T Statistic	P Values	Conclusion
Price → Customer Satisfaction	0.131	0.131	0.072	1.830	<b>0.068</b>	<b>Rejected</b>
Product → Customer Satisfaction	0.675	0.683	0.062	10.968	<b>0.000</b>	<b>Accepted</b>
Price → Customer Loyalty	0.305	0.305	0.094	3.251	<b>0.001</b>	<b>Accepted</b>
Product → Customer Loyalty	0.577	0.580	0.099	5.828	<b>0.000</b>	<b>Accepted</b>
Customer Satisfaction → Customer Loyalty	0.179	0.200	0.120	1.499	<b>0.135</b>	<b>Rejected</b>

## DISCUSSION

Based on the test have been carried out, the research result obtained:

### 1. Effect of Price (X1) on Customer Satisfaction (Z).

Based on the results of this study, it shows that the price does not affect customer satisfaction. This is in accordance with previous research conducted by Putri Nafra Berliana, Suharyati Suharyati, Tati Handayani (2020) which showed that price had no significant effect on customer satisfaction. For customers, if the price is not in accordance with the wishes of consumers, then customer satisfaction will not be created. This is in line with the theory of Zeithaml and Bitner (1996) that consumer satisfaction and customer loyalty are influenced by price, where consumers usually make purchases looking at price. Consumers tend to assume that low prices are relative to low product quality and conversely high prices are relative to higher product quality. If the price does not affect customer satisfaction and customer loyalty then the price created by the company is not in accordance with the wishes of consumers.

### 2. Effect of Product (X2) on Customer Satisfaction (Z).

Based on the results of this study, it shows that the product affects customer satisfaction. This is in accordance with previous research by Emik Iriyanti, Nurul Qomariah and Akhmad Suharto (2016) which showed that product quality had a significant influence on customer satisfaction. Good quality products can affect customer satisfaction and loyalty. This is in line with the theory of Kotler and Keller (2009: 144) that product quality is everything about the products offered by the company to be noticed, requested, used by consumers. Product quality can affect consumer satisfaction where the higher the level of product quality, the higher the level of consumer satisfaction produced and is linear with the level of consumer loyalty.

### 3. Effect of Price (X1) on Customer Loyalty (Y).

Based on the results of this study, it shows that price has an effect on customer loyalty. Thus, customer loyalty in this study is caused by price. This is in accordance with previous research by Indah Dwi Kurniasih (2012) which showed that price had a positive and significant effect on customer satisfaction variables. The prices in the products studied have not provided conformity to consumers where if the prices are appropriate then customer loyalty will be achieved. This is in line with the theory of Kotler and Armstrong (2012:318) indicators of characterizing prices that are able to create customer loyalty, one of which is the price match with the benefits. This takes place where consumers decide to buy the product because the benefits consumed are commensurate with the price set by the company and vice versa if consumers feel the benefits of the product are smaller than the price issued then customer loyalty will not be created.

### 4. Effect of Product (X2) on Customer Loyalty (Y).

Based on the results of this study, it shows that the product has a positive influence on customer loyalty. Thus, customer loyalty in this study is caused by the product. This is in accordance with previous research conducted by Novita Dian Utami and Hening Widi Oetomo (2015) which showed that the product had a significant effect on customer loyalty. A good product has complete information such as brand name, product category, composition, clear labeling, etc. which makes consumers understand. This is in line with Wijayanti's theory (2017: 54) that the product must have a brand name, composition, formulation, product category, labeling, taste variations, etc. which provide orientation to consumers so as to achieve customer loyalty.

### 5. The Effect of Customer Satisfaction (Z) on Customer Loyalty (Y).

Based on the results of this study, it shows that customer satisfaction has a positive but not significant effect on customer loyalty. This is in accordance with previous research conducted by Herawati, Rahmat Widodo, Isman, Darham Wahid (2019) stating that customer satisfaction has no significant effect on customer loyalty. Loyal customers are not necessarily satisfied. This is in line

with Kotler's (2000) theory, that one aspect of consumer satisfaction is loyal to the products consumed, where satisfied consumers will tend to be loyal, where the word tends does not mean that all satisfied consumers are loyal consumers.

#### 6. The Effect of Price (X1) on Customer Loyalty (Y) Through Customer Satisfaction (Z).

Based on the results of this study, it shows that price through customer satisfaction has a positive but not significant effect on customer loyalty. This is in accordance with previous research conducted by Herawati, Rahmat Widodo, Isman, Darham Wahid (2019) which showed that price through customer satisfaction had no effect on customer loyalty. The price offered by the company to consumers is not yet affordable. This is in line with the theory of Zeithaml and Bitner (1996) that consumer satisfaction and customer loyalty are influenced by price, where consumers usually make purchases looking at price. Consumers tend to assume that low prices are relative to low product quality and conversely high prices are relative to higher product quality. If the price does not affect customer satisfaction and customer loyalty then the price created by the company is not in accordance with the wishes of consumers.

#### 7. Effect of Product (X2) on Customer Loyalty (Y) Through Customer Satisfaction (Z).

Based on the results of this study, it shows that the product through customer satisfaction has a positive but not significant effect on customer loyalty. This is in accordance with previous research by Dani Haris and Henny Welsa (2018) which showed that product quality through consumer satisfaction could not increase consumer loyalty, the results were negative. The products offered by the company to consumers do not yet have a product strategy that can satisfy consumers so that customer loyalty is not formed. This is in line with the theory of Sangadji & Sopiah (2013: 183) that the theory of satisfaction is consumer satisfaction and dissatisfaction is part of the impact of comparing consumer expectations with products. When making a purchase where the product does not meet consumer expectations, consumers will be disappointed and consumers will not feel satisfied and loyal.

### CONCLUSION

Based on the result of the study, some conclusions that can be drawn in this study are:

1. Price has a positive but not significant effect on customer satisfaction
2. The product has a significant positive effect on customer satisfaction
3. Price has a significant positive effect on customer loyalty
4. The product has a significant positive effect on customer loyalty
5. Customer satisfaction has a positive but not significant effect on customer loyalty
6. Price through customer satisfaction has a positive but not significant effect on customer loyalty
7. Products through customer satisfaction have a positive but not significant effect on customer loyalty

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