

Conference Paper

Building Customer Loyalty Through Marketing Mix Strategy With Satisfactory As Intervening Variable

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Abstract

Marketing mix should be formulated and combined as effectively as possible as it is the only marketing aspect that is controlled by the company, where the marketing mix strategy implemented by the company is responded by the costumers. The purpose of this study is to determine the most significant factors of the marketing mix that are influencing customer loyalty in Toko Amanah Central Pasar Medan Mall, to discover how marketing mix factors affect customer loyalty in Toko Amanah Central Pasar Medan Mall, to investigate how marketing mix factors affect loyalty through customer satisfaction in Toko Amanah Central Pasar Medan Mall; to explore what policies are needed to be framed in relation to the factors of marketing mix in creating higher level of customer satisfaction in order to increase customer loyalty in Toko Amanah Central Pasar Medan Mall. The number of samples used in this study is 395 people. Data were collected using questionnaires and tested by using the Validity and Reliability Test; data were required to meet the elements of classical assumption test. Furthermore, test data analysis was done by using path analysis (Path Analysis), and coefficient of determination. This research concludes that price is the most significant variable in influencing consumer satisfaction, while the most significant variable in affecting consumer loyalty is the product.

Keywords: marketing mix, product, price, promotion, location, satisfaction, loyalty

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1. Introduction

A company has to be effective and efficient in running its operational activities, because they are expected to have a competitive advantage compared to other contenders. There are many companies are seeking and utilizing every business opportunity in a tough competition of business environment.

Marketing mix determines the success or failure of a company in achieving their goals. As the only marketing aspect which is controlled by the company, marketing mix should be formulated and combined as effectively as possible, where the customer will respond to the marketing mix strategy.

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2. Literature Review

2.1. Loyalty

Loyalty is an essential factor in determining the success of a retail business as well as its market viability, because with the existence of loyalty then competitive advantage will bring success to the business. Griffin (2002) states that loyalty is described as non-random purchase manifested over time by some decision-making unit. Moreover, Kotler (2005) utters that loyalty is a repurchase done by a customer because of their commitment to a brand or company.

2.2. Customer satisfactory

According to Susanto (2000), customer satisfactory is a degree of one's feeling after weighing up the performance or the outcome that they feel compared to their expectations. Therefore, the level of satisfactory is a function of the difference between perceived performance and expectation.

2.3. Marketing mix

Swasta (2002) mentions that marketing mix is a combination of four variables or activities which is the core of the company's marketing system which consists of product, price, promotion, and distribution.

Based on the aforementioned explanation, the framework of this research can be seen as follows:

3. Hypothesis

In accordance with the aforementioned explanation, the hypothesis of this study can be defined as follows:

1. Product has effect on Satisfactory
2. Price has effect on Satisfactory
3. Promotion has effect on Satisfactory
4. Location has effect on Satisfactory

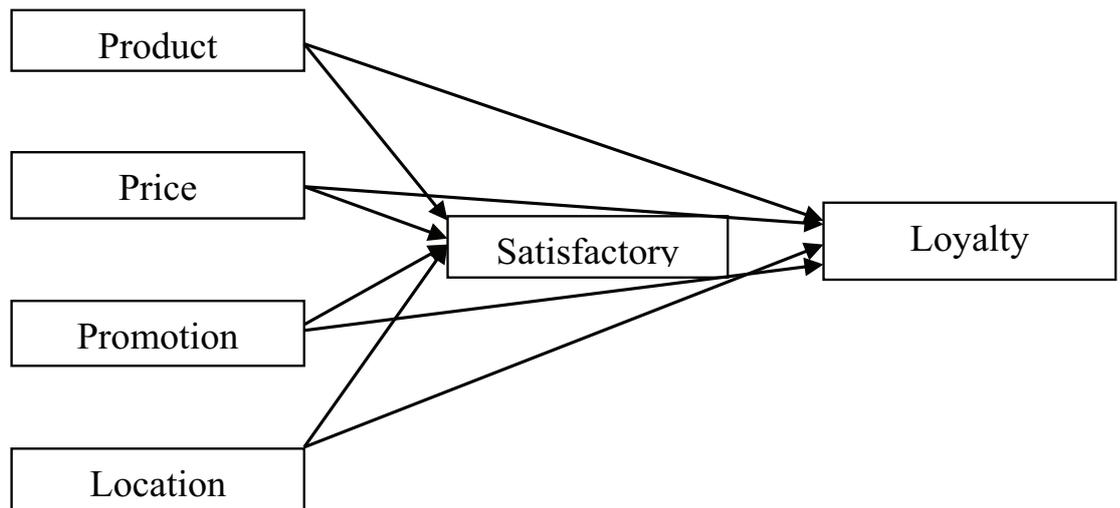


Figure 1: Research framework.

5. Product has effect on Loyalty
6. Price has effect on Loyalty
7. Promotion has effect on Loyalty
8. Location has effect on Loyalty
9. Product through Satisfactory has effect on Loyalty
10. Price through Satisfactory has effect on Loyalty
11. Promotion through Satisfactory has effect on Loyalty
12. Location through Satisfactory has effect on Loyalty

4. Research Methodology

4.1. Research location

This study is conducted in Central Pasar Medan Mall located at Jalan M.T. Haryono, Ps. Baru, Medan Kota. The duration of this study is from November 2015 to February 2016.

4.2. Measured variables

The indicator and measurement scale are used to facilitate this study. The analysis and discussion of variables used in this study are as follows:

1. *Product* (X_1)

2. *Price* (X_2)
3. *Promotion* (X_3)
4. *Location* (X_4)
5. *Satisfactory* (Y_1)
6. *Loyalty* (Y_2)

4.3. Population and sample

Population is a set of analysis units which contained information. The population of this study is all customers who have made purchase, at least, three times in Central Pasar Medan Mall, amounted to 365.976 people. The data are obtained through Central Pasar Medan Mall data, average per year, from 2014 to 2016.

4.4. Data collection technique

The data in this study consists of primary and secondary data. Data collection technique used to obtain the data is as follows:

1. Questionnaire
2. Documentation Study

4.5. Data analysis technique

4.5.1. Coefficient of determination

Coefficient of Determination is the square of correlation coefficient r multiplied by 100% to discover the amount of contribution the independent variable has in determining the dependent variable. The formula used to decide the degree of determination is as follows:

$$KD = r^2 \times 100\%$$

4.5.2. Path analysis

This analysis is used to determine the amount of effect of a variable to another variable, both direct influence and joint influence. The immensity of influence of an independent variable to a dependent variable is called path coefficient (Pyx). The relationship structure of these variables can be put into the regression equation, namely:

$$\text{Sub-structure I : } Y_1 = PY_1X_1 + PY_1X_2 + PY_1X_3 + PY_1X_4 + e$$

$$\text{Sub-structure II : } Y_2 = PY_2X_1 + PY_2X_2 + PY_2X_3 + PY_2X_4 + PY_2Y_2 + e$$

5. Result and Discussion

5.1. Data quality test

5.1.1. Validity test

Based on the data processing result, the validity test result is as follows:

Table 1 shows all indicators on each variable have fulfilled the validity requirements, which is $r_{test} > r_{table}$. Therefore, these indicators can be used to measure the variables of this study.

5.2. Reliability test

The criteria used to reveal the reliable indicator is by comparing Cronbach Alpha value with the Cronbach Alpha standard value of 0.600, whereas if Cronbach Alpha value > Cronbach Alpha Standard (0.600), the indicator is reliable. The result of reliability test can be seen in the following table:

5.3. Hypothesis test

5.3.1. Sub-structure I

Figure 2 shows the regression equation of Sub-structure I as follows:

$$Y_1 = 0.140X_1 + 0.221X_2 + 0.100X_3 + 0.135X_4 + 0.899.$$

TABLE 1: Product validity test.

Questionnaire Item	r_{test}	r_{table}	Conclusion
Product 1	0.365	0,113	Valid
Product 2	0.277		Valid
Product 3	0.374		Valid
Product 4	0.381		Valid
Product 5	0.281		Valid
Product 6	0.372		Valid
Price 1	0.459		Valid
Price 2	0.467		Valid
Price 3	0.387		Valid
Price 4	0.289		Valid
Promotion 1	0.590		Valid
Promotion 2	0.681		Valid
Promotion 3	0.676		Valid
Promotion 4	0.598		Valid
Location 1	0.460		Valid
Location 2	0.356		Valid
Location 3	0.398		Valid
Location 4	0.377		Valid
Location 5	0.312		Valid
Satisfactory 1	0.269		Valid
Satisfactory 2	0.379		Valid
Satisfactory 3	0.318		Valid
Satisfactory 4	0.346		Valid
Satisfactory 5	0.427		Valid
Satisfactory 6	0.369		Valid
Loyalty 1	0.296		Valid
Loyalty 2	0.352		Valid
Loyalty 3	0.363		Valid
Loyalty 4	0.362		Valid
Loyalty 5	0.441		Valid

Source: Processed Primary Data, 2017.

5.3.2. Sub-structure II

Figure 3 exhibits the regression equation of Sub-structure II as follows:

$$Y_2 = 0.166X_1 - 0.004X_2 + 0.054X_3 + 0.121X_4 + 0.125Y_1 + 0.37.$$

Direct and indirect effect

TABLE 2: Reliability test result.

Variable	Cronbach Alfa Value	Cronbach Alfa Standard	Result
Product	0.608	0.600	Reliable
Price	0.617		Reliable
Promotion	0.816		Reliable
Location	0.627		Reliable
Customer Satisfactory	0.618		Reliable
Loyalty	0.606		Reliable

Source: Processed Primary Data Primer, 2017.

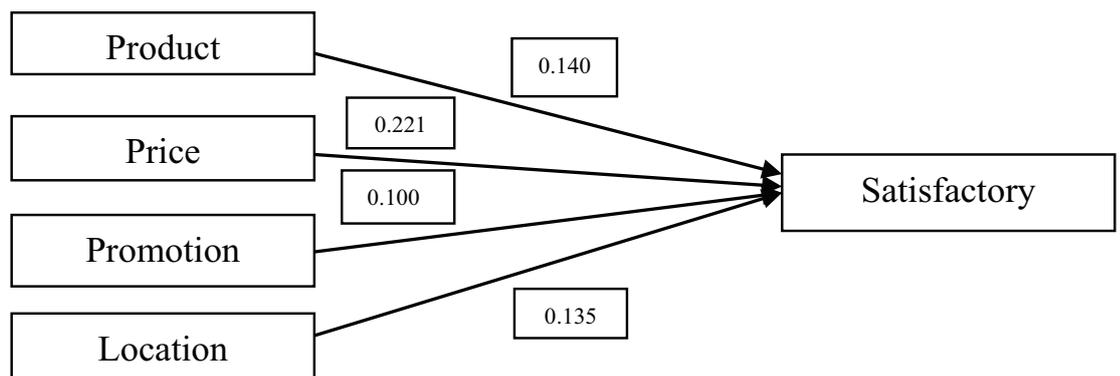


Figure 2: Result of path analysis of Sub-structure I.

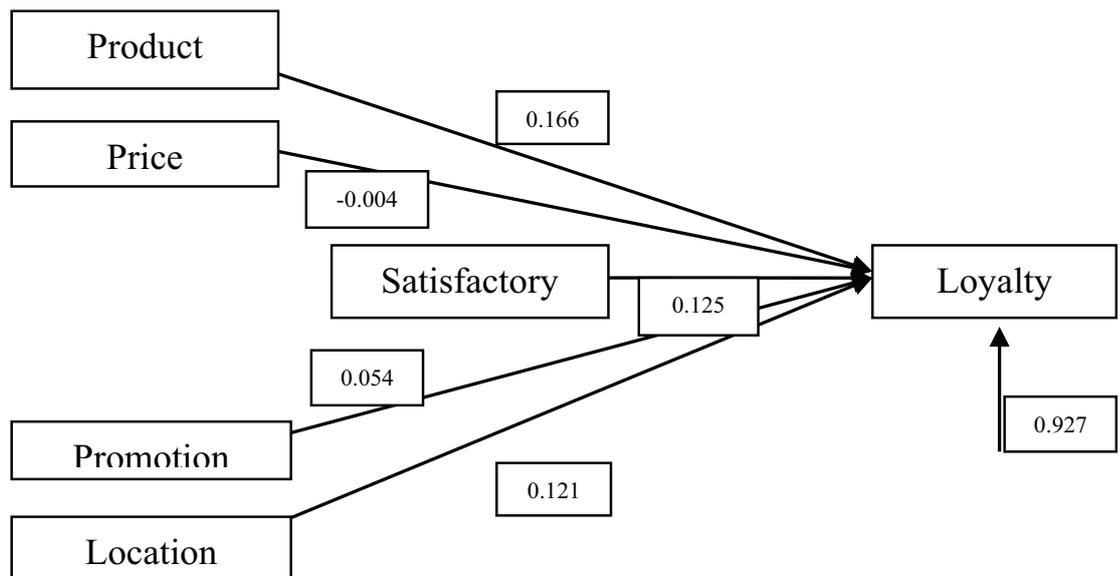


Figure 3: Result of path analysis of Sub-structure II.

Hypothesis testing

As known the hypothesis in this study is as follows:

H₀ 1: There is no significant effect of Product on Satisfactory in Toko Amanah Medan.

- H_a 1: There is a significant effect of Product on Satisfactory in Toko Amanah Medan.
- H_0 2: There is no significant effect of Price on Satisfactory in Toko Amanah Medan.
- H_a 2: There is a significant effect of Price on Satisfactory in Toko Amanah Medan.
- H_0 3: There is no significant effect of Promotion on Satisfactory in Toko Amanah Medan.
- H_a 3: There is a significant effect of Promotion on Satisfactory in Toko Amanah Medan.
- H_0 4: There is no significant effect of Location on Satisfactory in Toko Amanah Medan.
- H_a 4: There is a significant effect of Location on Satisfactory in Toko Amanah Medan.
- H_0 5: There is no significant effect of Product on Loyalty in Toko Amanah Medan.
- H_a 5: There is a significant effect of Product on Loyalty in Toko Amanah Medan.
- H_0 6: There is no significant effect of Price on Loyalty in Toko Amanah Medan.
- H_a 6: There is a significant effect of Price on Loyalty in Toko Amanah Medan.
- H_0 7: There is no significant effect of Promotion on Loyalty in Toko Amanah Medan.
- H_a 7: There is a significant effect of Promotion on Loyalty in Toko Amanah Medan.
- H_0 8: There is no significant effect of Location on Loyalty in Toko Amanah Medan.
- H_a 8: There is a significant effect of Location on Loyalty in Toko Amanah Medan.
- H_0 9: There is no significant effect of Satisfactory on Loyalty in Toko Amanah Medan.
- H_a 9: There is a significant effect of Satisfactory on Loyalty in Toko Amanah Medan.

6. Conclusion and Suggestion

6.1. Conclusion

Price is the most significant variable in affecting Satisfactory. Meanwhile, the most significant variable to affect Loyalty is Product.

Based from the result, there are factors of marketing mix which are affecting Loyalty, such as:

1. Product significantly affects Loyalty. The contribution value of Product in affecting Loyalty is 0.166.

2. Price has no significant effect on Loyalty. The contribution value of Price in affecting Loyalty is -0.004 .
3. Promotion has no significant effect on Loyalty. The contribution value of Promotion in affecting Loyalty is 0.054 .
4. Location has no significant effect on Loyalty. The contribution value of Location in affecting Loyalty is 0.121 .

From the result it can be known there are factors of marketing mix which re affecting Satisfactory at Central Pasar Medan Mall, as follows:

1. The effect of Product on Loyalty through Satisfactory is 0.018 . This magnitude of influence is not as dominant as other factors.
2. The effect of Price on Loyalty through Satisfactory is 0.028 . This is the highest magnitude of influence compared to other factors. Hence, it is very essential to highly concern the price offered by UD Amanah.
3. The effect of Promotion on Loyalty through Satisfactory is 0.013 . This magnitude of influence is not as dominant as other factors.
4. The effect of Location on Loyalty through Satisfactory is 0.017 . This magnitude of influence is not as dominant as other factors.

Policies needed to be taken in regard of the factors of marketing mix to create high level of Satisfactory in order to increase Loyalty at Central Pasar Medan Mall:

1. An important thing that can be done is to communicate with the suppliers in regard of the quality of the product, by providing high quality material.
2. Comparing the price set by company with competitor's price. In addition, the management of Central Pasar Medan Mall can also utilize the price market mechanism.
3. Provide a discount for specific products with low rate of sales.
4. The management of Central Pasar Medan Mall should accommodate decent facility to increase Satisfactory.

6.2. Suggestion

1. To be able to increase loyalty, every company's management should be attentive to improve the quality of the product.

2. Price is a very sensitive variable, for that reason, a company should compare the price of its product with other companies so the company can set a lower price.
3. Promotion can be a good method to increase the company's sales, because the level of customer decision to purchase will be increased as well. Since customers are already familiar with the promotion organized by the company, consequently, the level of loyalty will increase.
4. Location can improve the prestige to the customers, then the company's management should pay attention to the location to be used in marketing the product.

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