



THE EFFECT OF PRICE AND SERVICE QUALITY ON CONSUMER SATISFACTION BY EMPLOYING MARKETING RELATIONSHIPS AS INTERVENING VARIABLES

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Abstract: This study aims to determine the effect of service quality and price on consumer satisfaction by using marketing relationships as an intervening variable. This is quantitative research. The data presented in this study were obtained through a questionnaire given to 50 respondents. The research design used in hypothesis testing is the structural equation model (SEM) – Smart PLS. The results of this study indicate that: (1) There is a significant direct effect of service quality on consumer satisfaction, (2) There is a significant direct effect of price on customer satisfaction, (3) There is a significant direct effect of service quality on marketing relationship, (4) There is a significant direct effect of price on marketing relationship, (5) There is a significant indirect effect of service quality, price and marketing relationship that can be a mediator on consumer satisfaction.

Keywords: Price, Service Quality, Customer Satisfaction, Marketing Relationship

INTRODUCTION

CV Mumbul Jaya is a company engaged in convection that serves to make t-shirts in Bali. From 2019 to early 2021, the company's sales of t-shirts continued to decline. The decline which started in 2020 has lowered their sales target. The decline in sales is given in 1.

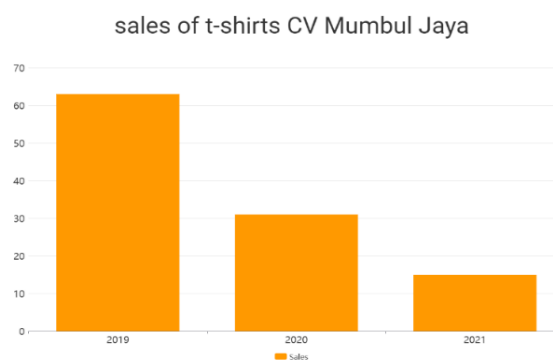


Figure 1. CV Mumbul Jaya's sales of the t-shirt

CV Mumbul Jaya only relies on loyal or regular customers during the pandemic. The prices of raw materials have gone up, and for certain, this would affect the production of t-shirts. They became more expensive. Apart from the price issue, constant delay in goods delivery has worsened the service quality, so that the revenue decreased by 50% in 2021.

An increase in sales can be done by getting satisfaction from consumers. Their satisfaction is a crucial thing in business is the consumer output on a particular product depends on the costs incurred, similar quality, types of goods to serve (Ali et al., 2021). Consumer satisfaction also has negative and positive impacts on consumers in fulfilling their needs, and price creates a vulnerability of products as it becomes a relationship gap in marketing methods (Zardi et al., 2019). Customer satisfaction can establish a good and long-term marketing relationship. Therefore, sellers are required to be active in choosing effective and good product distribution methods to maintain consumer satisfaction (Santouridis & Veraki, 2017).

Consumer satisfaction has a positive effect on prices (Yudi, 2018). Consumer satisfaction has a positive effect on service quality (Mulyana & Gumilang, 2018), consumer satisfaction has a positive effect on marketing relationships (Rivaldi & Hatane, 2017). It is necessary to conduct further research related to the analysis of the relationship between service quality, price and customer satisfaction in marketing relationships as a mediating variable.

Based on the above phenomenon, it is necessary to analyze the decline in sales that CV Mumbul Jaya experienced. The results can increase the number of t-shirts sold by CV Mumbul Jaya. This will include the analysis of service quality, price and customer satisfaction with marketing relationships as an intervention.

LITERATURE REVIEW

Consumer satisfaction is a person's feeling of pleasure or disappointment that results from comparing the perceived performance (or outcome) of a product to its exclusion (Kotler & Armstrong, 2018). Consumer satisfaction is the result of the product or service evaluation by customers to see whether it has met their needs and expectations (García-Fernández et al., 2018).

Consumer satisfaction has three dimensions: satisfaction as fulfilment (the satisfaction value that consumers have for the fulfilment of their needs & wants), satisfaction as pleasure (the satisfaction value where consumers feel satisfied making a purchase transaction), satisfaction as ambivalent (consumers can have a unique experience with the company that creates a certain satisfaction) (García-Fernández et al., 2018).

Price is one element of the marketing mix that generates revenue and other elements that generates the price. Price also represents the company's desired value position for its product or brand (Kotler & Armstrong, 2018). Price is a way for sellers to determine what they will receive as a result of their offer. The price factor consists of the cost of goods or services sold, administrative costs, advertising and promotion costs, and perceived costs (Al-Rawabdeh et al., 2021). Price has any variable, there are several elements of the main pricing activity which include price lists, discounts and payment terms (Kotler & Armstrong, 2018).

Service quality is evidence for good or bad services. Therefore, we can judge the service quality of a business by seeing how the company behaves. Perception of good quality can be obtained if the quality experienced meets the expected quality (Putri & Utomo, 2017). Service quality is the delivery of excellent services when compared to consumer expectations (Akter & Roy, 2017).

There are several dimensions of service quality: reliability (ability to perform the promised service convincingly and accurately), responsiveness (helping customers and providing prompt service), assurance (assurance of employee knowledge, employee courtesy,

and employee's ability to convey trust and consumers' trust), empathy (willingness to give deep and special attention to each consumer), noticeable objects (appearance of facilities to support consumers, employees, and communication materials) (Akter & Roy, 2017).

A marketing relationship is a process of creating, maintaining and enhancing strong relationships with consumers and other stakeholders. In addition to determining new strategies aimed at attracting new consumers and creating transactions with consumers, the company continues to strive to retain existing customers and build long-term good relationships that will bring benefits to the company (Kotler et al., 2017). A marketing relationship is defined as a process in which companies build long-term relationships with consumers and potential customers, working together to achieve specified goals (Anwar, 2017). Relationship marketing has several dimensions: trust, social benefits and financial benefits (Kotler & Armstrong, 2018).

Based on theoretical explanations related to Service Quality, Price, Consumer Satisfaction and Marketing Relationship, the following hypothesis can be drawn:

H1: It is suspected that there is a direct effect of service quality on customer satisfaction.

H2: It is suspected that there is a direct effect of price on consumer satisfaction.

H3: It is suspected that there is a direct effect of service quality on marketing relationships.

H4: It is suspected that there is a direct effect of price on marketing relationships.

H5: It is suspected that there is an indirect effect of service quality, price on customer satisfaction through marketing relationships.

RESEACH METHOD

This research uses the quantitative method. The data presented in this study were obtained through direct questionnaires and interviews with 50 respondents who are consumers of CV Mumbul Jaya. The research design in hypothesis testing uses a structural equation model (SEM) – Smart PLS.

FINDINGS AND DISCUSSION

This study uses some variables: service quality (X1), price (X2), marketing relationship (Z) and customer satisfaction (Y) with eight questions for each indicator. After testing the validity and reliability, each question was deleted to meet the validity and reliability. The research model can be seen in Figure 2.

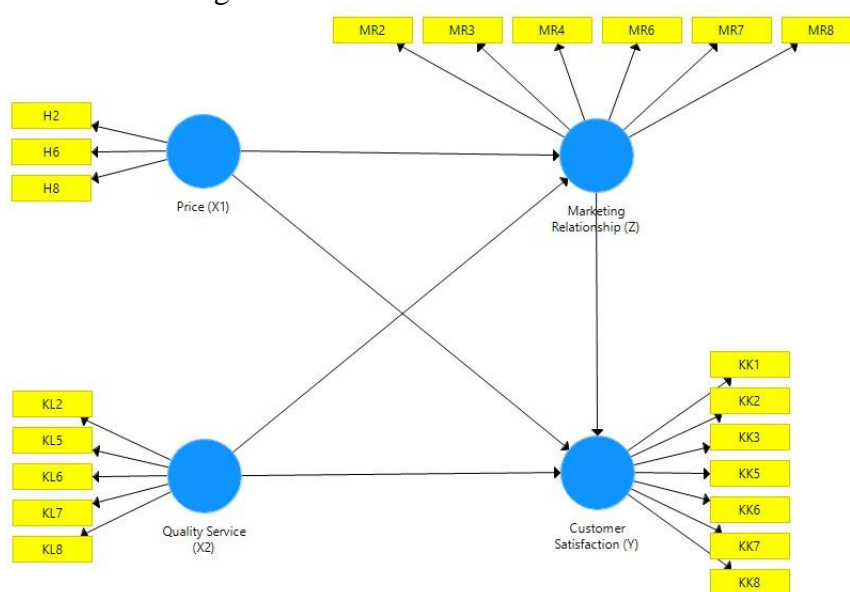


Figure 2. Research Model

Source: Smart PLS

Validity and Reliability Test

The validity test on the Smart PLS application is described by the outer loading value. The variable is valid when the outer loading value is > 0.7 (Sarstedt et al., 2017). Reliability is indicated by the composite reliability value. The variable is reliable when the composite reliability value is > 0.7 (Sarstedt et al., 2017).

The results of the model analysis in Figure 2 have several invalid and reliable questions, some questions will be deleted to only process valid and reliable data. The question indicators omitted in the Smart PLS calculation are as follows: H7, H3, H1, MR5, KL3, KL4, KK4, KL1, MR1, H5, H4. After eliminating some of the indicators of the questions above, the results meet the criteria for validity and reliability as seen in Figure 3.

Construct Reliability and Validity

Matrix	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Customer Satisfaction (Y)	0.907	0.909	0.926	0.643
Marketing Relationship (Z)	0.917	0.922	0.935	0.706
Price (X1)	0.820	0.821	0.893	0.735
Quality Service (X2)	0.893	0.896	0.922	0.702

Figure 3. Result of Validity and Reliability Tests

Outer Model

The outer model test describes the relationship between indicators and the latent variables of each. Structural models for external models are to predict the feasibility of indicators. The outer model test consisted of a discriminant validity test, average variance extracted, and Cronbach's alpha.

1. Discriminant validity

Discriminant validity aims to describe an indicator that is not represented by other indicators. This is measured by the cross-loading values. A variable will be valid if the cross-loading value is > 0.7 and the cross-loading value must be greater than the other variables (Sarstedt et al., 2017). See the results of the discriminant validity test in Table 1 which shows that all variables are valid.

Table 1. Discriminant Validity

	Price (X1)	Service Quality (X2)	Consumer Satisfaction (Y)	Marketing Relationship (Z)
H2	0,609	0,647	0,731	0,579
H6	0,834	0,666	0,741	0,731
H8	0,860	0,693	0,744	0,552
KL2	0,428	0,756	0,683	0,672
KL5	0,708	0,620	0,783	0,774
KL6	0,649	0,848	0,703	0,714
KL7	0,609	0,572	0,691	0,453
KL8	0,683	0,862	0,719	0,595
KK1	0,753	0,465	0,841	0,707
KK2	0,780	0,735	0,847	0,683

KK3	0,703	0,679	0,563	0,635
KK5	0,650	0,760	0,772	0,696
KK6	0,725	0,646	0,767	0,638
KK7	0,558	0,655	0,747	0,680
KK8	0,657	0,659	0,571	0,751
MR2	0,764	0,727	0,834	0,862
MR3	0,640	0,717	0,730	0,869
MR4	0,590	0,747	0,679	0,862
MR6	0,561	0,634	0,680	0,561
MR7	0,445	0,603	0,584	0,793

2. Average Variance Extracted

Average Variance Extracted aims to evaluate discriminant validity for each construct and latent variable. A variable is said to be eligible if the AVE value is > 0.5 (Sarstedt et al., 2017). See the results of the discriminant validity in Figure 3 which shows that all variables are valid.

3. Cronbach's Alpha

Cronbach's Alpha aims to strengthen the composite results of the reliability of a variable. A variable is said to be eligible if the value of Cronbach's alpha > 0.7 (Sarstedt et al., 2017). See the results of Cronbach's Alpha test in Figure 3 which shows that all variables are reliable.

Inner Model

The inner model aims to predict the relationship between variables used in this study. The inner model test consists of discrimination coefficient, predictive relevance, and effect size criteria.

1. Discrimination Coefficient (R2)

The discrimination coefficient aims to assess the levels of prediction accuracy for endogenous constructs. Strong R2 values must be more than 0.7, the moderate ones must be > 0.5 and the weak ones must be > 0, (Sarstedt et al., 2017). See the results of the discrimination coefficient test in Table 2. This reveals that the predictive accuracy for endogenous constructs in consumer satisfaction is strong while it is moderate in marketing relationships.

R Square	
Customer Satisfaction (Y)	0.867
Marketing Relationship (Z)	0.689

Figure 4. Discriminant Coefficient

2. Predictive Relevance (Q2)

Predictive relevance aims to measure the levels of the resulting observation values. Observations are relevant when the value of Q2 is > 0 (Hair et al, 2016). Predictive relevance test results are as below:

- Q2 Marketing relation 0,867

- Q2 Consumer satisfaction 0,689

3. Effect Size Criteria (f2)

The effect size criteria aim to measure the relative impact of an independent variable that affects the dependent variable. The strong f2 values must be more than 0.35, the moderate ones must be > 0.15, the weak ones must be > 0.02 (Sarstedt et al., 2017). See the results in Figure 4 which show that (a) price and marketing relationship have a strong effect on consumer satisfaction, while service quality has a weak effect on consumer satisfaction, (b). price, service quality, marketing relationship have a weak effect on repurchase intention, while consumer satisfaction has a strong effect on repurchase intention.

f Square		
	Customer Satis...	Marketing Rela...
Customer Satisfaction (Y)		
Marketing Relationship (Z)	0.285	
Price (X1)	0.475	0.069
Quality Service (X2)	0.118	0.503

Figure 5. Results of Effect Size Criteria Test

Discussion

Hypothesis testing is done by analyzing bootstrap on the Smart PLS program. We can assess and define the relationship between variables with T-statistic or p-Value. This variable can be declared to have a significant effect on other variables if the T-statistic values are greater than Ttable values or with p-Value less than 0.5 (Manurung & Budiastuti, 2019). T-table value for this study is 1.299 (research model: one-way test, 50 samples and 4 variables).

Direct Effects

Figure 6 presents the results of the research on the direct effect. It can be concluded that (a) the marketing relationship has a significant effect on consumer satisfaction. (b) price has a significant effect on consumer satisfaction and consumer relationships. (c) service quality has a significant effect on customer satisfaction and marketing relationships

Total Effects					
	Original Sampl...	Sample Mean (...)	Standard Devia...	T Statistics (O/STDEV)	P Values
Marketing Relationship (Z) -> Customer Satisfaction (Y)	0.349	0.352	0.117	2.994	0.003
Price (X1) -> Customer Satisfaction (Y)	0.498	0.516	0.082	6.055	0.000
Price (X1) -> Marketing Relationship (Z)	0.235	0.263	0.133	1.759	0.079
Quality Service (X2) -> Customer Satisfaction (Y)	0.467	0.451	0.098	4.785	0.000
Quality Service (X2) -> Marketing Relationship (Z)	0.634	0.606	0.140	4.511	0.000

Figure 6. Direct Effects

Indirect Effects

Figure 7 presents the results of the research on the indirect effect. It can be concluded that (a) marketing relationships are not a mediating variable that is not good for linking price and customer satisfaction, (b) marketing relationships are a mediating variable that is good for linking service quality and customer satisfaction.

Specific Indirect Effects					
<input type="checkbox"/> Mean, STDEV, T-Values, P-Values	<input type="checkbox"/> Confidence Intervals	<input type="checkbox"/> Confidence Intervals Bias Corrected	<input type="checkbox"/> Samples	Copy to Clipboard:	<input type="button" value="Excel Format"/> <input type="button" value="R Form"/>
	Original Sampl...	Sample Mean (...)	Standard Devia...	T Statistics (I/O/...	P Values
Price (X1) -> Marketing Relationship (Z) -> Customer Satisfaction (Y)	0.082	0.095	0.061	1.336	0.182
Quality Service (X2) -> Marketing Relationship (Z) -> Customer Satisfaction (Y)	0.221	0.212	0.087	2.537	0.011

Figure 7. Indirect Effects

CONCLUSION

Based on the research, it was found that service quality and price affect consumer satisfaction through marketing relationships. The specific conclusions in this study are as follows: There is a significant direct effect of price on customer satisfaction; There is a significant direct effect of service quality on consumer satisfaction; There is a significant direct effect of price on marketing relationships. There is a significant direct effect of service quality on marketing relationships; There is a significant direct effect of marketing relationships on consumer satisfaction. There is a significant indirect effect of price, and marketing relationship that can't be a mediator on consumer satisfaction. There is a significant indirect effect of service quality, and marketing relationship that can be a mediator on consumer satisfaction.

Based on the research, the researchers suggest CV Mumbul Jaya routinely evaluate prices and marketing relationships for increasing consumer satisfaction that will lead to an increase in their sales of t-shirts. Further research can expand the scope of objects such as researching all t-shirt sellers in Bali with a larger number of respondents to get more detailed results.

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Submission date: 07-Dec-2023 01:41PM (UTC+0700)

Submission ID: 2251069757

File name: THE_EFFECT_OF_PRICE.pdf (766.79K)

Word count: 3099

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