

How Price Moderate the Promotion and Product Quality on Motorcycle Consumer's Loyalty (Case In Indonesia)

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Abstract: The competition in every business sector at this millennium is getting intense. In automotive industry, every company made the same product, right from the smallest components to the latest technology that has led to an intense competition. Only companies with ability to maintain its customer and to increase their customer's loyalty will survive the competition. It has been proven by previous researcher that said that a combination of high quality product, price suitable to quality given, good promotion and design will affect the customer's loyalty significantly. In fact, there was time when the reach of sales was lower than before. So far, there was no research discussing product quality and promotion which is influenced by price. Therefore, in this research the researcher included the influence of price on product quality, promotion and customer's loyalty. The purpose of this research is to explain the effect of promotion and product's quality moderated by price to consumer's loyalty using non-hierarchical statistics method. This research found that specifically for group with low promotion perception, group of consumers who has cheap price perception are more loyal compared to group who has expensive price perception, product's quality improve consumer's loyalty, and specific for expensive price perception, group of consumers who has high quality perception is more loyal than group who has low quality product perception. This research is expected to give contribution in the form of explanation about promotion and product quality to consumer loyalty by using price as moderation, contributing to science development about promotion and product quality moderated by price to consumer's loyalty and explaining about non-hierarchical statistics analysis method in promotion and product quality to consumer's loyalty moderated by price.

Keywords: product quality, promotion, price, consumer's loyalty.

I. INTRODUCTION

Consumer's satisfaction is long term consumer's certainty that could be added value for the company since having loyal consumer will bring an impact for the company in reducing the risk of decreased consumer's purchase level. Maintaining existing consumers by establishing communication and keep giving the best service as the characteristics of the company are the best ways to keep consumer's loyalty. The effort to obtain new consumers is bigger than to maintain consumers that have repeatedly bought the product based on their loyalty to the product or brand. Promotion is an important thing for the consumers so that they are informed effectively and efficiently to create sales (Kotler and Keller, 2016). A company that does not pay attention to their product quality while offering the product to consumers, will find that their consumers will not be loyal, leading to decreased sales level (Kotler and Armstrong, 2016). A number of researches on promotion and product quality to consumer's loyalty have been conducted (e.g. Caruana, 2002; Nagar 2009; Pi and Huang, 2011). However, so far there is no research that investigates promotion and product quality whose outcome is influenced by price. Previous researches (e.g. Caruana, 2002; Nagar 2009; Pi and Huang, 2011) never discuss whether consumer's perception about promotion, product quality and price will affect consumer's loyalty or not.

II. LITERATURE REVIEW

Promotion to Consumer's Loyalty Moderated by Price

Bell (2008) states that promotion is every marketing activity that purposively boosts demand of a product. Promotion is a flow of information or one-way persuasion which intends to direct people or organization to do an exchange or marketing. Promotion has several elements which support the course of a promotion that commonly called promotion mix.

Kotler and Keller (2016) define promotion as a medium where company try to inform, persuade and remind consumers directly or indirectly about their product and brand that they offer. Ruswanti (2012) says, consumers who have high loyalty to the company are asset that has high value for the company. The characteristic of a consumer that has high loyalty are: repeatedly purchase in regular terms, purchase another product line from the same company, is willing to persuade another people to purchase and refuse to purchase any product from competitor.

Kotler and Keller (2016) state that promotion has an influence on the formation of customer loyalty and it is known that the promotion period has the greatest influence on customer loyalty. Pi and Huang (2011) mention that one indicator that shows the level of loyalty is to make repeated purchase and repurchase. Loyal customers will repeat purchase regularly, buy outside the product or service line, recommend the product to others, and show immunity from competitor’s appeal as they are not easily affected by similar attractiveness from competitors. Based on the above, then the proposed hypotheses are H1: Promotion improves consumer’s loyalty; H2a : Specific to group who has expensive prices perception, group who has high promotion perception are more loyal than consumers who has low promotion perception; H2b : Specific for group who has low promotion perception, group who has cheap price perception are more loyal compared to groups with expensive price perception; H2c : Specific for group who has high promotion perception, group who has cheap price perception is more loyal than group who has expensive price perception.

Product Quality to Consumer’s Loyalty Moderated by Price

Kotler and Amstrong (2016) mention that quality is a characteristic of a product related to its ability to meet consumer’s predetermined and latent needs. Insufficient attention to the product quality may lead to consumers’ disloyalty which will cause decreased product sales. Stanton (2009) states that price is values redeemed with benefits of having and using products or services that stated by consumers or seller for the same price to all consumers.

Consumers’ behavior after purchasing a product is determined by consumer’s satisfaction of a product as the last process of sales. The concept of consumer’s loyalty is more connected to behavior rather than attitude. Positive consumer’s attitude can be indicated by the consumer’s loyalty to the product and their willingness to recommend the product to other consumers. On the other hand, negative attitude is shown by negative word of mouth to other consumers and switch to product from another company. Loyalty grows without any force. Instead, it grows from within. Loyalty is the formation of consumer’s behavior and attitude to purchasing and usage of products as the results of past experience (Griffin, 2005)

Cheaper prices are preferred by consumers to meet their needs. So, cheap price has an association between the quality obtained both with customer satisfaction and loyalty of the goods (Dharmmesta, 2002). Johnson (1997) says if a company has succeeded to improve their product quality to make their customers always satisfied, it will be easier for them to maintain and develop their business because their customers will be more loyal to the product. The customers will purchase repeatedly and willing to pay more for the product. In this study, price is used as moderating variable between promotion to improve consumer loyalty and product quality to improve consumer loyalty. Based on the above, then the proposed hypotheses are H3 : Product quality improves consumers’ loyalty; H4a : Specific to group who has expensive price perception, group who has high product quality perception are more loyal than group who has low product quality perception. H4b : Specific to group who has low product quality perception, groups with cheap price perception are more loyal than group who has expensive price perceptions. H4c : Specific to group who has high product quality perception, group who has cheap price perception are more loyal than group who has expensive price perception.

From the description above, the research model can be described as follows:

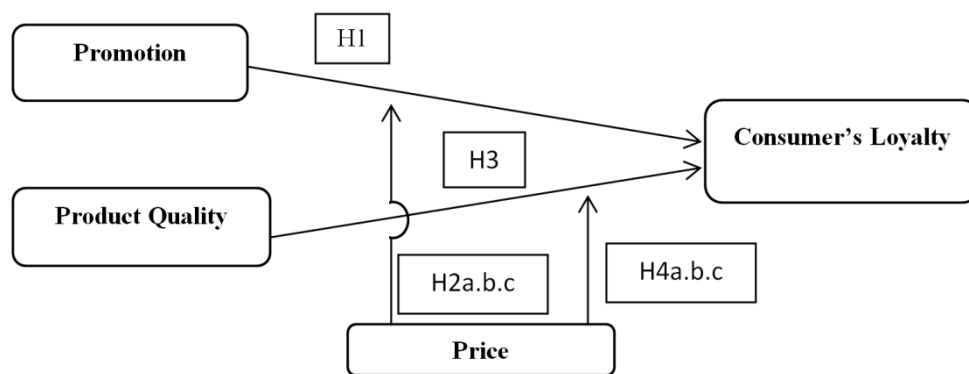


Fig 1. Research Method

This research was conducted on the consumers who have purchased motorcycle two times or more. Research aspects were promotion, product quality, price and consumer’s loyalty. The research was conducted in June 2016. We use survey method as an analysis tools in this research. This research is a descriptive analysis, with a causality model or influence relationships. The data were collected by distributing questionnaires to consumer that have purchased motorcycle two times or more. Data analysis method used in this research was the non-hierarchical statistic; data is processed by using statistical software of GLM (General Linear Model). According to Agung (2006) the sample size used is the total number of average cell multiplied by 30 (the minimum), in which number of the cell is four (Table 1) so that 4 x 30 = 120 respondents, with three variables i.e. promotion variable which is divided into high promotion

perception and low promotion perception, product quality variable which is divided into high product quality perception and low product quality perception and price which is divided cheap price perception and expensive price perception. Classification of promotion is done by determining the median split value, a value above the median split classified as high promotion perception and a value below the median split classified as low promotion perception, classification of product quality is done by determining the median split value, a value above the median split classified as high product quality perception, and a value below the median split classified as low product quality perception with classification of price is done by determining the median split value, a value above the median split classified as cheap price perception and value below the median split classified as expensive price perception. Then the data were measured by using Likert scale measurement on scale of one to seven. Analysis result afterwards is interpreted and the final stage is concluded and given an advice.

III. MEASUREMENT

In this study, there are two exogenous variable namely promotion and product quality, an endogenous variable that is consumer's loyalty while price role as a moderating variable that affecting exogenous and endogenous. Promotion variable is measured by using the indicators of Kotler and Keller (2008) consisting of four indicators. Product quality variable measurement uses the indicators of Tjiptono (2008) consisting of seven indicators. Consumer's loyalty variable were adopted from Syah (2014) adapted from Lin and Ding (2006) consisting of three indicators. Price variable was adopted from Zeithaml et. al (1988) consisting of four questions. The measurement indicators are displayed in the form of a questionnaire, and then tested the validity and reliability.

This study uses confirmatory factor analysis by doing validity test to see the value of Kaiser-Meyer-Olkin measure of sampling (KMO) and measures of sampling adequacy (MSA). In this research, the value obtained must be greater than 0.5 which means that the analysis factor is right or appropriate for use, and can be further processed (Malhotra, 2004). Promotion scales consist of six questions and there are four valid questions ($MSA > 0.5$). Product quality scales consist of twelve questions and there are six valid questions ($MSA > 0.5$). There are three questions of price scale which are all valid. Consumer's loyalty scale are eight questions and there are five valid questions ($MSA > 0.5$). Reliability testing with Alpha Cronbach value of > 0.5 which means reliable (Hinton et. al, 2004), so it can be said that indicators of promotion, product quality, price and patient satisfaction are reliable as a data collection tool in the research.

IV. ANALYSIS RESULTS

In this research, where the test of hypothesis 1 by using statistical F-test on the 'promotion' line where $F_0 = 1.887$ (Sig. 0.172), with a degree of freedom of 1/116. It indicates a rejection of H_1 , so it can be concluded that the data did not support the submitted hypothesis. This shows that consumer's loyalty is not influenced by good promotion. In Indonesia, high promotion only did not affect the loyalty of a consumer. The test of hypothesis 2 by using statistical F-test on the 'product quality' line where $F_0 = 8.188$ (Sig. 0.005), with a degree of freedom of 1/116. It indicates a rejection of H_0 . so it can be concluded that the data support the submitted hypothesis. This shows that consumer's loyalty influenced by good product quality; the better the quality of a product, the higher consumers' loyalty will be.

In hypothesis 2 testing. Value that will be tested is "price" group, by comparing the degree of high promotion and low promotion with the β coefficient. This test is done to see gap differences in consumer's loyalty mean deviation (Y) formed by high (PR = 1) promotion perception (PR), and low (PR = 2) both on price perception (RP), cheap perception (RP = 1) as well as expensive perception (RP = 2) after considering the same linear promotion (X) effect on consumer's loyalty (Y) in all cells. The analysis results support hypothesis H2a. It was found that the analysis result does not support the hypothesis H2a that is specific to group who has expensive price perception, group who has high promotion perception are more loyal than group who has low promotion perception (β_1), with sig. value 0.198 (> 0.05). On the test result of hypothesis 2b, it was found that the analysis result support the hypothesis H2b that is Specific to group who has low promotion perception, group who has cheap price perception are more loyal than group who has expensive price perception (β_2), with sig. 0.017 (< 0.05). On the results of hypothesis 2c, it was found that the analysis results does not support the hypothesis H2c that is Specific to group who has good promotion perception, group who has cheap price perception are more loyal than group who has expensive price perception (β_3), with sig. value 0.649 (> 0.05).

In hypothesis 4 testing, value that will be tested is in "price" group, by comparing the degree of high product quality perception and low product quality perception with the β coefficient. This test is done to see any gap differences in consumer's loyalty mean deviation (Y) formed by high (KP = 1) product quality perception (KP), and low (KP = 2) both on price perception (RP), cheap price perception (RP = 1) as well as expensive price perception (RP = 2) after considering the same linear product quality (X) effect on consumer's loyalty (Y) in all cells. The analysis results supporting hypothesis H4a is specific to group who has expensive price perception. Group who has high product quality perception are more loyal than groups of consumers who get low product quality (β_1), with sig. value 0.021 (< 0.05). On the test result of hypothesis 4b, it was found that the analysis result does not support the hypothesis H4b that is specific to group who has low product quality perception, group who has cheap price perception are more loyal

than group who has expensive price perception (β_2), with sig. 0.087 (>0.05). On the results of hypothesis 4c, it was found that the analysis results does not support the hypothesis H4c that is specific to group who has high product quality perception, group who has cheap price perception are more loyal than group who has expensive price perception (β_3), with sig. value 0.664 (>0.05).

Table 7. Structural Relationship Test Result

Hypothesis	Hypothesis Statement	Sig. Value	Notes
H1	Promotion improve consumer's loyalty	0.172	Data does not support the hypothesis
H2a	Specific to groups who has expensive price perception, groups who has high promotion perception are more loyal than group who has low promotion perception.	0.198	Data does not support the hypothesis
H2b	Specific to groups who has low promotion perception, groups who has cheap price perception are more loyal than groups who has expensive price perception	0.017	Data support the hypothesis
H2c	Specific to groups who has good promotion perception, groups who has cheap price perception are more loyal than groups who has expensive price perception.	0.649	Data does not support the hypothesis
H3	Product quality improve consumer's loyalty.	0.005	Data support the hypothesis
H4a	Specific to groups who has expensive price perception, groups who has high product quality perception are more loyal than groups of consumers who get low product quality	0.021	Data support the hypothesis
H4b	Specific to groups who has low product quality perception, group who has cheap price perception are more loyal than groups who has expensive price perception.	0.087	Data does not support the hypothesis
H4c	Specific to groups who has high product quality perception, group who has cheap price perception are more loyal than groups who has expensive price perception.	0.664	Data does not support the hypothesis

V. DISCUSSION

Research that previously conducted indicates an inline relationship between the impacts of the good promotion and product quality to consumer's loyalty in a research conducted in Europe (Caruana, 2002). Thus, better promotion and product quality of the products and the improvement of consumer's loyalty are expected to bring a good impact on sales level as well as revenue of the company.

The test result of Hypothesis 1, found that analysis result did not support hypothesis H1, i.e. a good promotion improve consumer's loyalty. The results of this research does not support previous research conducted by Nagar (2009) which said promotion is the main component to improve sales through consumer's repeat purchase. In this research, promotion done by company as a tool that is expected to improve consumer's loyalty, could not improve consumer's loyalty if it stands alone. The test result of Hypothesis 2a found that analysis result did not support hypothesis H2a, i.e. specific to group who has expensive price perception, group who has high promotion perception are no more loyal than group who has low promotion perception. The results of this research does not support previous research conducted by Dobre, Dragomir and Isac (2013), which said price alone does not improve consumer's loyalty, thus, company must keep the balance between price and promotion that represent consumer's value and keep company's profit. Thus in this research, in Indonesia, consumers who think that price given are expensive, will not show loyalty whether the consumers are well informed or not. The test result of Hypothesis 2b found that analysis result support hypothesis H2b, i.e. specific to group who has low promotion perception, group who has cheap price perception are more loyal than group who has expensive price perception. It supports previous research conducted by Widyaningtyas and Sugiarto (2010) which found that if price vary, consumer's satisfaction will improve and eventually increase consumer's loyalty. Thus in this research, even though consumers were not well informed about the product, those who think the price is cheap will be more loyal because they still consider cheap price as an important aspect for them to show loyalty. The test result of Hypothesis 2c found that analysis result did not support hypothesis H2c, i.e. specific to group who has

good promotion perception, group who has cheap price perception are no more loyal than group who has expensive price perception. The results of this research support previous research conducted by Pi and Huang (2013), which said even though customer buy with promotion, their loyalty will not improve. Thus in this research, in Indonesia, even though consumers are well informed about the product, they will not be loyal because their main consideration to be loyal is cheap price.

The test result of Hypothesis 3 found that analysis result support hypothesis H3, i.e. product quality improves consumer's loyalty. The results of this research support previous research conducted by Wicker (2015), which found in a continuous research that quality, service, personal branding, store environment and long-term high quality significantly improve consumers' loyalty. Thus in this research which was conducted in Indonesia, consumer's experience in using the product. If the consumers are satisfied by their experience, they will show loyalty to the product. The test result of Hypothesis 4a, found that analysis result support hypothesis H4a, i.e. specific to group who has expensive price perception, group who has high product quality perception are more loyal than groups of consumers who get bad product quality. The results of this research support previous research conducted by Budiman (2006), which said product quality has a positive relationship and impact to customers' loyalty. In Indonesia, consumers who think that the motorcycle offered are expensive, will be more loyal when they get a motorcycle with high quality. It is in line with their perception that expensive price products comes with high quality. The test result of Hypothesis 4b found that analysis result did not support hypothesis H4b, i.e. specific to group who has low product quality perception, group who has cheap price perception are no more loyal than group who has expensive price perception. The results of this research support previous research conducted by Caruana (2002), which argues that there is no direct effect between product quality and consumer's loyalty. In this research, a bad quality product will not make consumers loyal even though it is offered with cheap or expensive price. The test result of Hypothesis 4c found that analysis result did not support hypothesis H4c, i.e. specific to group who has high product quality perception, group who has cheap price perception are no more loyal than groups who has expensive price perception. The results of this research do not support previous research conducted by Ruswanti (2012), which found that customers will be loyal if the quality expected correspond with the quality they get when they purchase a product. In this research, consumers will not show loyalty if they are offered high quality motorcycle with cheap price because they did not believe that there's a high quality product with cheap price.

VI. MANAGERIAL IMPLICATIONS

Good product quality with appropriate price is an important component in maintaining consumer's loyalty. Loyal consumer is the heart of the sustainability of the company. Loyal consumers will be an important component for the company to maintain the company's sales level. Loyal consumers will become indirect marketers for the company. They will purchase repeatedly both in the short term and in the long term, buy outside the product line they bought before, and if they have high loyalty, they willingly tell good things about their experience in using the product and invite others to participate in purchase. To accomplish this, many things can be done by the company. From the results of this study, managerial implications for the company can be given to get better in running its business.

In terms of the ability of salesperson, training of communication skill can be obtained so the salesperson will be able to classify consumers according to the characteristics of perception that arise from consumers. It is important to classify whether they go into groups with perception of high promotion or product quality perception, or low promotion or product quality perception. Then they will be grouped again, whether they have a cheap or expensive price perception. This is to determine what kind of product quality and what price level will be offered to this type of consumers.

VII. CONCLUSION

Results that can be concluded from this research are as follows. First, promotion did not improve consumer's loyalty. A good promotion cannot improve consumer's loyalty (first hypothesis is not supported). Promotion did not attract consumers to purchase or to be loyal. Second, specific to group who has expensive price perception, group who has high promotion perception are not more loyal than group who has low promotion perception (second hypothesis is not supported). It is not proven especially for the motorcycle industry. This is due to the fact that consumers in Indonesia and surrounding areas who have perception of expensive prices on motorcycle products, do not show loyal behavior whether they were well informed or not. Third, specific to group who has low promotion perception, group who has cheap price perception are more loyal than group who has expensive price perception (third hypothesis is supported). For Indonesia and surrounding areas, if consumers are not well informed about the product from the promotion, those who thinks that the price offered are cheap will be loyal because cheap price still becomes their main consideration to be loyal. Fourth, specific to group who has high promotion perception, group who has cheap price perception are not more loyal than group who has expensive price perception (fourth hypothesis is not supported). This is because for Indonesia and surrounding areas, even though consumers are well informed, they still will not be loyal because the cheap price is still their main consideration in determining loyalty. Fifth, product's quality improve consumer's loyalty (fifth hypothesis is supported). These results explain that the consumer experience in using the

product will result in consumer ratings of the product. If the quality of the product can satisfy the consumer's desire then the consumer will provide a positive assessment of products that generate loyalty. Sixth, specific to group who has expensive price perception, group who has high product quality perception are more loyal than groups of consumers who get bad product quality (sixth hypothesis is supported). This means that consumers who have a perception of expensive prices will be loyal if at the time of buying a motorcycle, the products have good quality in accordance with the perception that the product with expensive price has a high quality. Seventh, specific to groups who have low product quality perception, group who has cheap price perception is not more loyal than group who has expensive price perception (seventh hypothesis is not supported). This shows that poor product quality will not make the consumer loyal even if the product is offered to consumers who have a perception of cheap nor expensive prices. Eighth, specific to group who has high product quality perception, group who has cheap price perception are more loyal than group who has expensive price perception (eighth hypothesis is not supported). It shows that consumers with cheap price perception will not be loyal even if they are offered with good quality product, because they think that there will be no product with cheap price that has high quality.

VIII. LIMITATIONS OF RESEARCH AND RECOMMENDATIONS

Limitation of Research

Limitations of this research can be considered for future researches. A questionnaire is used in this research as a measuring tool because of a limitation of time and energy. However, the questionnaire has limitations, such as bias in filling questions. There is a possibility that the respondents did not truthfully answer the questionnaire or just fill out the answer of the questionnaire based on ideal conditions expected and not on the actual and ongoing situation. This can affect the measurement because it may not describe the real variables. Moreover, the limited number of samples and variables that influence promotion and product quality on consumer's loyalty that moderated by price perception, as well as the number of analysis, prevent researcher to explore more thoroughly on other factors which affect consumer's loyalty.

Recommendations for Future Research

This research scope is still very limited because it only researches the extent of promotion and product quality on consumer's loyalty that is moderated by price. Therefore, it is expected that the research development of future researches could add another variable that affect consumer's loyalty, such as the service quality. It is also expected that further researches would study on the object of research with more specific brand such as Yamaha, Honda, Suzuki and others in order to obtain more objective and representative result with more detailed explanation.

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