The Role of Price and Product Quality on Consumer Loyalty through Consumer Satisfaction as Intervening Variables (For Students Domiciled in Merjosari Village, Malang)

Nur Syahraini[1], Ridwan Basalamah[2], Eka Farida[3]
[1,2,3]*Postgraduate Program, Islamic University of Malang, Indonesia*
nursyahraini00@gmail.com

Abstract

This study aims to determine the regional financial performance of the Lembata district government in 2013-2017. This research is a case study with data collection using documentation techniques, and the data used is sectional data in the form of Realization of the Regional Income and Expenditure Budget of Lembata in 2013-2017. Furthermore, this data is analyzed using financial ratios, namely the degree of decentralization, constellation of regional dependency, regional financial independence ratio, regional tax effectiveness ratio, local tax efficiency ratio, harmony ratio, and growth ratio. The results of the study show that in general the financial performance of the district government is good. This is shown by the low average degree of decentralization, the very high regional financial dependency ratio, the regional financial independence ratio is still low with an intructive pattern, the effectiveness of the local tax ratio is quite efficient, the local tax efficiency ratio is efficient, the efficiency expenditure ratio, operating expenditure ratio the total expenditure dominates the expenditure allocation compared to the capital expenditure ratio to total expenditure, the ratio of local revenue growth and the ratio of income growth to positive growth, the ratio of operating expenditure growth, and the capital expenditure growth ratio experiencing positive growth.

I. Introduction

Information technology is a general form that describes any technology that helps generate, manipulate, store, communicate and convey information. (McKeown, 2007:79).

Information technology has an important role in the business world, especially in the field of marketing. The role of technology in marketing is to support interrelated activities aimed at planning, pricing, promoting and distributing goods and services to buyers. Apart from marketing, technology also plays a role in network management, billing systems, inventory and various other applications.

One form of e-business that is widely known by the public is buying and selling activities electronically or what is often known as electronic commerce or e-commerce. E-commerce is a business activity involving consumers (consumers), manufactures (manufactures), service providers and intermediary traders by utilizing existing computer networks, namely the internet.

Quality is very fundamental to customer satisfaction and success in competing. In fact, quality is a must for all sizes of companies and to develop quality practices and show consumers that they are able to find expectations for higher quality (Tata et. Al, 2000: 2).

Consumer satisfaction or dissatisfaction is the result of a difference between consumer expectations and the performance perceived by the consumer (Londong, 2012). Consumer satisfaction is a response to consumer behavior in the form of after-purchase evaluation of an item or service that he feels compared to consumer expectations.

Indonesia is one of the trending countries with quite a lot of online stores, this can be seen with the emergence of many online stores such as Kaskus.co.id, Lamido.com, Zalora.com, Lazada and many more that can be found easily according to your needs. the category of merchandise you are looking for.

Lazada Indonesia is a pioneer of e-commerce in some of the fastest growing countries in the world that offers a fast, safe and convenient online shopping experience with various types of products in categories ranging from fashion, electronic equipment, books, children's toys and baby supplies, medical devices and products. beauty, household appliances and travel and sports equipment. Lazada Indonesia was founded in 2012 and is one of the branches of the Lazada online retail network in Southeast Asia.

II. Review of Literature

2.1 Understanding Consumer Satisfaction

Kotler in (Hamdani, 2006: 191), consumer satisfaction is the level of feeling where someone states the results of a comparison of product performance received and expected. Customer satisfaction is a condition where the desires, expectations and needs of consumers are met. A service is considered satisfactory if the service can meet the needs and expectations of customers. Measurement of customer satisfaction is an important element in providing better, more efficient and more effective services. If consumers are dissatisfied with a service provided, then the service can be ascertained to be ineffective and inefficient.

2.2 Definition of Consumer Loyalty

Consuer loyalty represents consumer attitudes through components such as repeat purchases, buying products or services from the same company and loyalty in recommending the company to others, as well as showing a commitment to rejecting other competitors (Cronin et al, 1992: 56).

2.3 Understanding Prices

Price is the amount of money charged for a product or service or the amount of value exchanged for the benefits of owning or using a product or service (Kotler and Armstrong, 2012: 345). Price generally has a decisive role in buyer choice. This is increasingly true for poor countries, and for types of commodity products. But non-price factors have become increasingly important in buyer choice behavior over the last few years. However, price is still an important element to determine market share and profitability.

2.4 Understanding Product Quality

Product quality as the expected level of quality and control of diversity in achieving that quality to meet consumer needs (Tjiptono, 2006:299). Meanwhile, according to Kotler and Armstrong (2001:354), product quality is the ability of a product to carry out its functions, including durability, reliability, ease of operation and repair as well as value attributes. Product quality is one of the determining elements of consumer satisfaction because good product quality will create, maintain and make loyal consumers.

2.5 Understanding Product Quality

Based on previous research reviews and theoretical reviews, a conceptual framework can be made as follows:

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┌──────────────┐                              ┌──────────────┐
│  Price (X₁)  │─────────────────────────────▶│   Consumer   │
└──────┬───────┘            ┌──────────────┐   │  Loyalty (Y) │
       └───────────────────▶│   Consumer   │──▶│              │
       ┌───────────────────▶│Satisfaction(Z)│  └──────────────┘
┌──────┴───────┐            └──────────────┘          ▲
│Product Quality│──────────────────────────────────────┘
│    (X₂)      │
└──────────────┘
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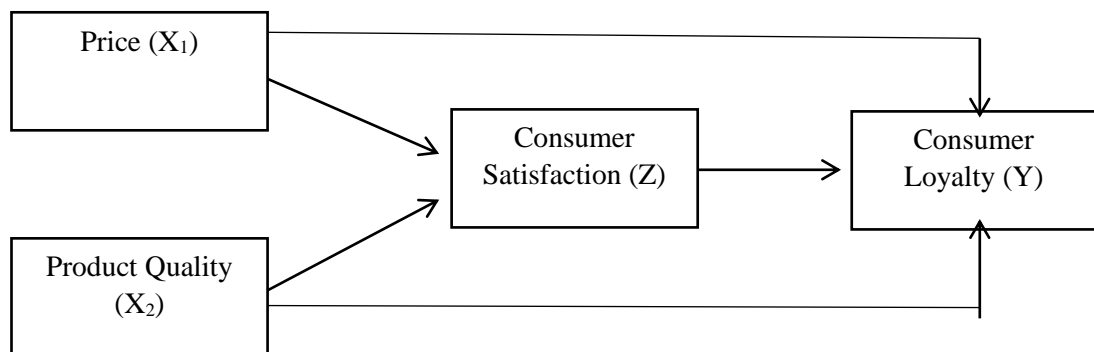
Figure 1. Conceptual Framework

The hypotheses in this study are:

H1 : Price and product quality have a direct effect on consumer satisfaction.
H2 : Price and product quality have a direct effect on consumer loyalty.
H3 : Consumer satisfaction has a direct effect on consumer loyalty.
H4 : Price and product quality have an indirect effect on consumer loyalty through n satisfaction as an intervening variable.

III. Research Method

3.1 Types of Research

This research analyzes influence price and quality product on loyaltyconsumer through satisfaction consumer as variable intervening on *online shop* Lazada with type research which used is explanatory (*Explanatory Research*), i.e. research which is explanatory and aims to test an theory or hypothesis to strengthen or even reject theory or hypothesis that already exists

3.2 Research Population and Sample

The population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions (Sugiyono, 2016:80). The population in this study amounted to 480 respondents to students who live in Merjosari Village, Malang.

The sample is part of the number and characteristics possessed by the population (Sugiyono, 2016:81). The sample used in this study was 82.75 or rounded up to 83 respondents.

3.3 Variable Operational Definition
a. Dependent variable (Y)

Loyalty is an emotional thing. To be able to get someone's loyal attitude, there are many factors that will influence.

According to Hidayat (2009:103), consumer loyalty is a consumer's commitment to a market based on a positive attitude and is reflected in consistent repeat purchases. Indicators of consumer loyalty are as follows:

1) Buy again
2) Saying positive things
3) Not paying attention to other product brands and advertisements
4) Buy other products from the same company

b. Independent Variable (X)

1. Price

Price is the amount of money charged for a product or service. More broadly, price is the sum of all the values that consumers exchange for the benefits of having or using the product or service (Sunarto, 2004).

According to Kotler and Armstrong (2012:452) there are several elements of the main activity of prices, namely:
a. Price affordability
b. Price match with product quality
c. Price competitiveness
d. Price match with benefits

2. Product quality

Product quality is the ability of a product to perform its functions, this includes overall durability, reliability, accuracy, ease of operation and product repair, as well as other product attributes (Kotler and Armstrong, 2012: 283).

According to Nasution (2005:5) there are 4 indicators of product quality variables, namely:
a. Privileges
b. Reliability
c. Conformance to specifications
d. Durability

c. Intervening Variable (Z)

Satisfaction is the level of a person's perceived state which is the result of comparing the perceived product in relation to one's expectations (Arifin and Rahayu, 2011).

Indicators of customer satisfaction can be seen as follows;
a. *Re-purchase*
b. Creating *word of mouth*
c. Creating a brand image
d. Service performance satisfaction

3.3 Data Analysis Method

According to Indrianto and Supomo (2014: 154) that the questionnaire is a data collection technique by submitting a number of written statements to respondents in the hope of providing the required information and obtaining information relevant to the research.

IV. Result and Discussion

4.1 Overview of Respondents on the Lazada Online Shop

The description of the characteristics of the respondents can be known based on the results of the questionnaires that have been distributed. The results of the distribution of questionnaires that have been conducted to 83 respondents.

4.2 Instrument Test
a. Validity test

According to Sugiyono (2012:255) "a valid instrument means that the measuring instrument used to obtain data (measure) is valid. Valid means that the instrument can be used to measure what it is supposed to measure. Technique used to measure in this research using test *Kaiser Mayer (* KMO) l l l l said to be valid if value KMO > ,05. For more details can be seen in table 1 below:

Table 1. KMO Validity Test Results (Kaiser Mayer Olkin)

No.	Variable	KMO Value	Information
1.	Price	0.779	Valid
2.	Product quality	0.775	Valid
3.	Consumer Satisfaction	0.799	Valid
4.	Consumer Loyalty	0.789	Valid

Source: Research Results, 2019

Based on table 1 above, it can be seen that the price variable has a KMO of 0.779 > 0.05. The product quality variable has a KMO value of 0.775 > 0.05. The consumer satisfaction variable has a KMO value of 0.799 <0.05 and the consumer loyalty variable has a KMO value of 0.798 > 0.05. So it can be concluded that each variable shows valid results because it has a KMO value greater than the specified limit of 0.05.

b. Reliability Test

Test reliability is index which shows extent which measurement tools can be trusted or reliable Reliability instrument needed to get data according to with purpose measurement. For to achieve the thing, performed test reliability with model Alpha Cronbach's. (Sugiyono, 2012:21). Cronbach's . Alpha Value is said to be acceptable if:
- The result of alpha coefficient > significant rate of 0.6. So the questionnaire is reliable.
- The result of alpha coefficient < 60% significant rate or 0.6. So the questionnaire is not reliable. Following are the results of the reliability test:

Table 2. Reliability Test Results

No.	Information	Cronbach's Alpha	Information
1.	Price	0.856	Reliable
2.	Product quality	0.830	Reliable
3.	Consumer Satisfaction	0.825	Reliable
4.	Consumer Loyalty	0.825	Reliable

Source: Research Results, 2019

c. Normality test

According to Ghozali (2013:10) the purpose of the normality test is to find out whether each variable is normally distributed or not. The normality test was carried out by testing the residual value of the regression equation using the Kolmogrov Smirnov test for each variable. The rules of decision making in the data normality test are:
a. If significant or probability value < 0.05. Then the data is declared to be not normally distributed.
b. If significant or probability value > 0.05. Then the data is declared to be normally distributed.

The following are the results of the normality test:

Table 3. Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		Price	Product Quality	Consumer Loyalty	Consumer Satisfaction
N		83	83	83	83
Normal Parameters[a]	Mean	14.95	14.57	14.59	14.65
	Std. Deviation	2.527	2.500	2.460	2.406
Most Extreme Differences	Absolute	.122	.120	.115	.119
	Positive	.122	.120	.115	.119
	Negative	-.085	-.102	-.086	-.076
Kolmogorov-Smirnov Z		1.114	1.094	1.044	1.082
Asymp. Sig. (2-tailed)		.167	.183	.226	.192

a. Test distribution is Normal.

Based on table 3 above can be seen that variable has value of Asymp. Sig (2-tailed) of $0.167 > 0.05$. Variable quality products have value Asymp. Sig (2-tailed) of $0.183 > 0.05$. Variable loyalty consumer has value Asymp. Sig - tailed) of $0.226 > 0.05$ and variable satisfaction has value of Asymp. Sig (2-tailed) of $0.192 > 0.05$. all variable in this research has a value of more than 0.05, can concluded that all variables distribution.
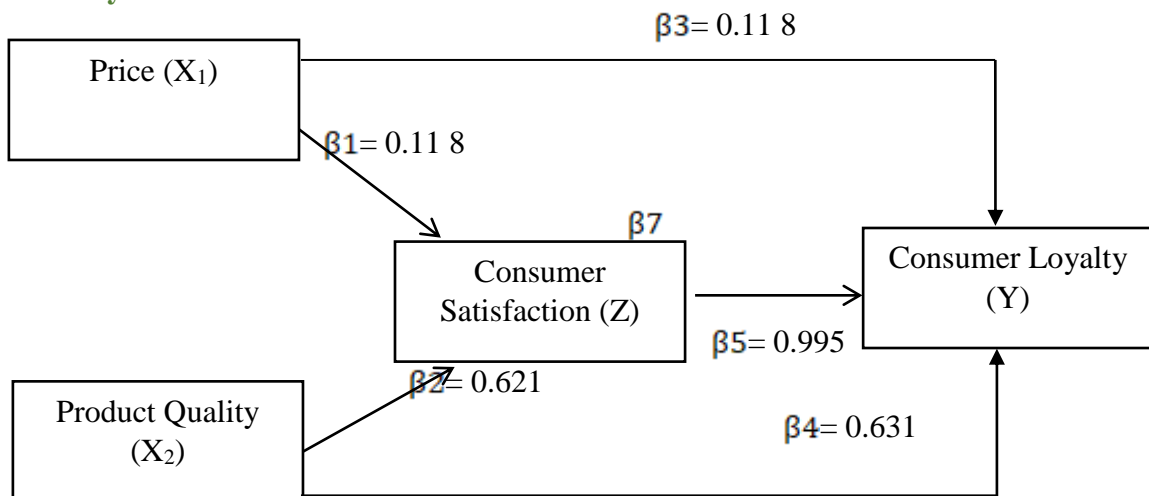
d. Path Analysis

Figure 2. Path Chart

Based on Figure 2 the results of the path analysis above show all the path coefficients from the relationship of direct influence, indirect influence and the overall effect of each variable can be seen in the following table:

4.3 Path Analysis Results

Table 4. Results of Path Analysis Model 1
Effect of Price (X_1) on Consumer Satisfaction (Z)

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	12,978	1.593		8.147	.000
	X1	.112	.105	.118	1.065	.290

a. Dependent Variable: Z
Source of data processed by researchers, 201 9

The results of the path analysis data model 1 shown in table 4 obtained the beta value of the price variable of 0.11 8 which is the value of X_1 against Z.

Table 5. Path Analysis Model 2 Results
Effect of Price (X_1) on Consumer Loyalty (Y)

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.867	1,628		7.904	.000
	X1	.115	.107	.118	1.073	.286

a. Dependent Variable: Y
Source of data processed by researchers, 201 9

The results of the path analysis data model 1 shown in table 4 obtained the beta value of the price variable of 0.11 8 which is the value of X_1 against Y.

Table 6. Path Analysis Model 3 Results
Effect of Product Quality (X_2) on Consumer Loyalty (Y)

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.543	1.253		4.424	.000
	X2	.621	.085	.631	7.325	.000

a. Dependent Variable: Y
Data sources processed by researchers, 2019

The results of the path analysis model 3 data shown in table 6 obtained the beta value of the product quality variable of 0.631, which is the value of X_2 against Y.

Table 7. Results of Path Analysis Model 4
Effect of Product Quality (X_2) on Consumer Satisfaction (Z)

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5,940	1,239		4.795	.000
	X2	.598	.084	.621	7.134	.000

a. Dependent Variable: Z

Data sources processed by researchers, 2019

The results of the path analysis model 4 data shown in table 7 obtained the beta value of the product quality variable of 0.621, which is the value of X_2 against Z.

Table 8. Results of Path Analysis Model 5
The Effect of Consumer Satisfaction (Z) on Consumer Loyalty (Y)

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.315	.162		-1,949	.055
	Z	1.017	.011	.995	93.487	.000

a. Dependent Variable: Y

Data sources processed by researchers, 2019

The results of the path analysis data model 5 shown in table 8 obtained the beta value of the consumer satisfaction variable of 0.995 which is the value of Z against Y.

4.4 Hypothesis testing
a.t test

Statistical t test was conducted to determine the effect of product quality on customer satisfaction individually in explaining the variation of the dependent variable. The results of the t-test can be recapitulated as follows:

Table 9. t test results
Price on Consumer Satisfaction

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.978	1.593		8.147	.000
	X1	.112	.105	.118	1.065	.290

a. Dependent Variable: Z

Source: Primary data processed with SPSS, 2019

From table 9 it can be seen that the t-count value is 1.065 with a significant value of 0.290. The significance value is greater than the probability value of 0.05 or $0.000 < 0.05$ then Ho is accepted and Ha is rejected. Thus it can be concluded that the price variable no positive and significant effect on consumer satisfaction.

Table 10. t test results
Price to Consumer Loyalty

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.867	1.628		7.904	.000
	X1	.115	.107	.118	1.073	.286

a. Dependent Variable: Y

Source: Primary data processed with SPSS, 2019

From table 10, it can be seen that the t-count value is 1.073 with a significant value of 0.286 . The significance value is greater than the probability value of 0.05 or 0.000 < 0.05 then Ho is accepted and Ha is rejected. Thus it can be concluded that the price variable no positive and significant effect on loyalty consumer.

Table 11. t test results
Product Quality on Consumer Satisfaction

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.940	1.239		4.795	.000
	X2	.598	.084	.621	7.134	.000

a. Dependent Variable: Z

Source: Primary data processed with SPSS, 2019

From table 11 it can be seen that the t-count value is 7.134 with a significant value of 0.000. The significance value is greater than the probability value of 0.05 or 0.000 < 0.05 then Ho is accepted and Ha is rejected. Thus it can be concluded that the product quality variable positive and significant effect on satisfaction consumer.

Table 12. t test results
Product Quality on Consumer Loyalty

Coefficients[a]

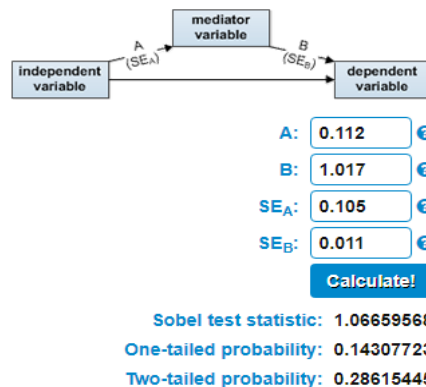| Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.543	1.253		4.424	.000
	X2	.621	.085	.631	7.325	.000

a. Dependent Variable: Y

Source: Primary data processed with SPSS, 2019

From table 12 it can be seen that the t-count value is 7.325 with a significant value of 0.000. The significance value is greater than the probability value of 0.05 or 0.000 < 0.05 then Ho is accepted and Ha is rejected. Thus, it can be concluded that the product quality variable positive and significant effect on loyalty consumer.

Table 13. t test results
Consumer Satisfaction with Consumer Loyalty

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.315	.162		-1.949	.055
	Z	1.017	.011	.995	93.487	.000

a. Dependent Variable: Y

Source: Primary data processed with SPSS, 2019

From table 13 it can be seen that the t-count value is 93.4 87 with a significant value of 0.000. The significance value is greater than the probability value of 0.05 or 0.000 < 0.05 then Ho is accepted and Ha is rejected. Thus, it can be concluded that the variable consumer satisfaction positive and significant effect on loyalty consumer.
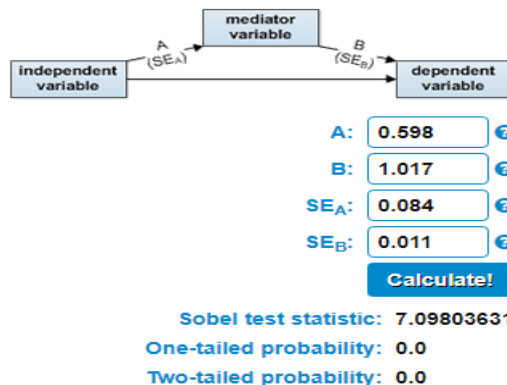
4.5 Sobel Test

According to Gozali (2011) , a variable can be said to be an intervening variable or a mediating variable if the variable affects the relationship between the independent variable (*independent variable*) and the dependent variable (*dependent variable*). Furthermore, to calculate the significance of the mediating influence variable using the *Sobel test* as follows:

Sobel Test $X_1 - Z - Y$

A: 0.112
B: 1.017
SE_A: 0.105
SE_B: 0.011

Sobel test statistic: 1.06659568
One-tailed probability: 0.14307723
Two-tailed probability: 0.28615445

Based on Figure above, the results of the *one-tailed probability* are 0.143 > 0.05. This shows that the consumer satisfaction variable (Z) cannot mediate the price variable (X1) on consumer loyalty (Y).

Test $X_2 - Z - Y$

A: 0.598
B: 1.017
SE_A: 0.084
SE_B: 0.011

Sobel test statistic: 7.09803631
One-tailed probability: 0.0
Two-tailed probability: 0.0

Based on Figure above, the results of *one tailed probability* are $0.0 < 0.05$. This shows that the consumer satisfaction variable (Z) can mediate the product quality variable (X_2) on consumer loyalty (Y).

4.6 Implication Of Research Results

a. The direct effect of price on consumer satisfaction

Based on the results of the study, it shows that the price variable has a positive direct influence on consumer satisfaction of Lazada *online shop users* in students who live in Merjosari Village, Malang.

Sunarto (2004), price is the amount of money charged for a product or service. More broadly, price is the sum of all the values that consumers exchange for the benefits of owning or using the product or service.

The results of this study are in line with research conducted by Marisa and Anik (2016) which states that price has a positive and significant effect on customer satisfaction for *fashion products at online* stores in Surabaya.

b. The direct effect of price on consumer loyalty

Based on the results of the study, it shows that price has a positive effect on consumer loyalty of Lazada *online shop users* to students who live in Merjosari Village, Malang.

The results of this study are in line with research conducted by Sri, Cick and Haryono (2015) which states that price has a positive effect on consumer loyalty.

c. Indirect effect of price on loyalty through customer satisfaction

Based on the results of the research conducted, it shows that from the path analysis image, it is known that the direct effect of price on consumer satisfaction is 0.118 and the direct effect of consumer satisfaction on consumer loyalty is 0.995. To determine the indirect effect of price on consumer loyalty through consumer satisfaction, namely by multiplying beta X against Z and Z on Y. Then obtained 0.118 x 0.995 = 0.117. From these results it is known that the value of the direct influence is greater than the indirect effect.

d. The direct effect of product quality on consumer satisfaction

Based on the results of the research conducted, it shows that product quality has a significant influence on consumer satisfaction of Lazada *online shop users* in students who live in Merjosari Village, Malang.

Product quality is the ability of a product to perform its functions, this includes overall durability, reliability, accuracy, ease of operation, and product repair, as well as other product attributes (Kotler and Armstrong, 2012: 283).

e. The direct effect of product quality on consumer loyalty

Based on the results of the research conducted, it shows that the product quality variable has a positive influence on consumer loyalty of Lazada *online shop users* to students who live in Merjosari Village, Malang.

Consumer loyalty is a consumer's commitment to a market based on a positive attitude and is reflected in consistent repeat purchases (Hidayat, 2009:103).

f. The direct effect of product

Based on the results of the research conducted, it shows that the variable of consumer satisfaction has a positive and significant influence on consumer loyalty.

V. Conclusion

Based on the results of the research that has been discussed, the following conclusions can be drawn:

1. Descriptive
   a. Loyalty is formed from indicators of buying again, saying positive things, paying less attention to brands and other product advertisements, and buying other products from the same company by consumers using Lazada's online shop to students who live in Merjosari village, Malang.
   b. Prices are formed from indicators of price affordability, price compatibility with product quality, price competitiveness, and price compatibility with benefits by consumers using Lazada's online shop to students who live in Merjosari village, Malang.
   c. Product quality is formed from indicators of features, reliability, conformity with specifications, and durability by consumers using Lazada's online shop to students who live in Merjosari Village, Malang.
   d. Consumer satisfaction is formed from indicators of repurchase (re-purchase), creating word of mouth, creating a brand image, and service performance satisfaction for consumers using Lazada's online shop to students who live in Merjosari village, Malang.
2. The price variable has a direct positive effect on consumer satisfaction and consumer loyalty.
3. The product quality variable has a positive direct influence on consumer satisfaction and consumer loyalty.
4. The variable of consumer satisfaction has a direct positive effect on consumer loyalty.
5. The variable of consumer satisfaction does not mediate the variables of price and product quality on consumer loyalty based on the Sobel test.

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