

**THE EFFECT OF PRODUCT QUALITY, PRICE, AND BRAND
IMAGE TOWARD CUSTOMER LOYALTY WITH THE
MEDIATION OF CUSTOMER SATISFACTION ON PERSONAL
CARE PRODUCT OF UNILEVER INDONESIA IN SURAKARTA**



**Submitted a Partial Fulfillment of the Requirements for Getting
Bachelor Degree of Management Economic in Economic and Business Faculty**

By:

APRINDA PRAMESTIKA SARI

B10A153026

**MANAGEMENT DOUBLE DEGREE
FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS MUHAMMADIYAH SURAKARTA**

2019

APPROVAL

**THE EFFECT OF PRODUCT QUALITY, PRICE, AND BRAND IMAGE
TOWARD CUSTOMER LOYALTY WITH THE MEDIATION OF
CUSTOMER SATISFACTION ON PERSONAL CARE PRODUCT OF
UNILEVER INDONESIA IN SURAKARTA**

PUBLICATION JOURNAL

Written and composed by:

APRINDA PRAMESTIKA SARI

B10A153026

Research has been accepted and approved.

Supervisor



Soepatini, SE., M.Si., Ph.D

NIK. 0605097101

APPROVAL PAGE

**THE EFFECT OF PRODUCT QUALITY, PRICE, AND BRAND IMAGE
TOWARD CUSTOMER LOYALTY WITH THE MEDIATION OF
CUSTOMER SATISFACTION ON PERSONAL CARE PRODUCT OF
UNILEVER INDONESIA IN SURAKARTA**

Written and composed by:

APRINDA PRAMESTIKA SARI

B10A153026

It has been maintained in front of the Board of Examiners
Faculty of Economics and Business
Universitas Muhammadiyah Surakarta
On Wednesday, November 20, 2019
And declared to have met the requirements

The Board of Examiners:

1. Imronudin, Ph.D.
(Chairman of the Board of Examiners)
2. Soepatini, Ph.D.
(Member I Board of examiners)
3. Jati Waskito M.Si,
(Member II Board of examiners)

(.....)
(.....)
(.....)



Dean Faculty of Economics and Business,

Dr. P. Samsudin, SE., M.M.

NIDN. 017025701

DECLARATION OF AUTHENTICITY

I am truthfully declared that this publication journal that was handed over the institution was my own work, except questions and summaries which explained the sources. If one day it is proved and found any evidence that this publication journal is contained of plagiarism, I will be ready accept any punishment from Universitas Muhammadiyah Surakarta.

Surakarta, 20 November 2019

Who make a statement,



APRINDA PRAMESTIKA SARI

B10A153026

THE EFFECT OF PRODUCT QUALITY, PRICE, AND BRAND IMAGE TOWARD CUSTOMER LOYALTY WITH THE MEDIATION OF CUSTOMER SATISFACTION ON PERSONAL CARE PRODUCT OF UNILEVER INDONESIA IN SURAKARTA

Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh dari kualitas produk, harga, dan citra merek terhadap kepuasan pelanggan, serta pengaruh kepuasan pelanggan terhadap kesetiaan pelanggan. Dalam penelitian ini, teknik pengambilan sampel yang digunakan adalah teknik purposive dimana total sampel 108 masyarakat Surakarta yang telah mengkonsumsi produk perawatan diri produksi Unilever Indonesia minimal tiga kali. Analisis model yang digunakan adalah regresi berganda dan sobel test untuk mengetahui pengaruh kepuasan pelanggan terhadap kesetiaan pelanggan. Hasil penelitian menunjukkan bahwa kualitas produk, harga, dan citra merek mempengaruhi secara signifikan terhadap kepuasan pelanggan. Hal ini dbuktikan dengan uji F dengan nilai signifikansinya 0.000. Selain itu, kepuasan pelanggan terbukti memediasi kualitas produk, harga, dan citra merek terhadap kesetiaan pelanggan. Hal ini dibuktikan dengan uji sobel dengan nilai hitung lebih besar dari nilai table.

Kata kunci: Kualitas Produk, Harga, Citra Merek, Kepuasan Pelanggan, Kesetiaan Pelanggan.

Abstract

This study aims to analyze the effect of product quality, price, and brand image on customer satisfaction, and the influence of customer satisfaction on customer loyalty. In this study, the sampling technique used was a purposive technique in which a total sample of 108 Surakarta residents who had consumed Unilever Indonesia's self-care products at least three times. Analysis of the model used is multiple regression and multiple tests to determine the effect of customer satisfaction on customer loyalty. The results showed that product quality, price, and brand image significantly influence customer satisfaction. This is proven by the F test with a significance value of 0,000. In addition, customer satisfaction is proven to mediate product quality, price, and brand image to customer loyalty. This is evidenced by the sobel test with a calculated value greater than the table value.

Keywords: Product Quality, Price, Brand Image, Customer Satisfaction, Customer Loyalty.

1. INTRODUCTION

Fast Moving Consumer Goods (FMCG) is a product that is needed by all end users to fulfill their daily needs (Pongiannan and Chinnsamy, 2014). This product is sold

massively at a relatively low price. The grouping or categorization of FMCG products, for example, consists of personal care, household needs, soft drinks, toiletries, detergents, batteries, stationery supplies, cosmetics, pharmaceuticals, food packages, and others. PT Unilever Indonesia Tbk is one of the largest FMCG companies in Indonesia, which is at least one product used by households in Indonesia and the profit recorded at the end of 2018 is Rp 9.1 Trillion. Their personal care products consist of hair care (shampoo), body care (soap), deodorant, and oral care. Personal care product brands which are spread in Indonesia are Lux, Lifebuoy, Dove, Closeup, Pepsodent, Axe, Rexona, Sunsilk, TreSemme, Clear.

According to the cosmetics, toiletries and skincare market overviews (2016:1-2), in the middle and low-end market segments, domestic manufacturing comprises over 50% of the market and its dominated by international brands including Unilever about 40 %, L'Oreal and Procter and Gamble. It means that, 10% of the other market is dominated to P&G's and L'Oreal's personal care product. It means, Unilever Indonesia won from both of competitors with a thin difference, about 10% only.

For persisting their existence, Unilever Indonesia could be monitoring the products's market share by using the marketing concept. According to Basu Swastha and Hani Handoko (2000:6), the marketing concept is a business philosophy which is satisfying consumer needs is an economic and social requirement for the survival of a company. It means that the purpose of the marketing concept is to provide satisfaction to the wants and needs of consumers.

Satisfaction is person's feelings of pleasure or disappointment that result from comparing a product's perceived performance (outcome) to expectations (Kotler and Keller,2012). While the customer satisfaction is the performance of an item at least the same as what was expected (Tjiptono,2008). Zeithaml and Bitner (1996) showed that customer satisfaction is exclusively influenced by service quality, product quality, price, situational factors, and human factors.

According to Heskett (2011), as satisfied customers are loyal and dissatisfied customers are a vendor. Oliver (1999:34) described the customers' loyalty as "a

deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour". Bennett and Rundle (2004), and Schultz, (2005), stated that customers who feel satisfied by a product or service will form a loyal behavior. This behavior will lead to repetitive purchases and share a positive word of mouth. This finding is in line with Selnes (1993), which stated that customer loyalty can be formed if the customer is satisfied with the brand or the level of service received and intend to continue the relationship. According to Zeithaml, Parasuraman, and Berry (1996), the product or service quality can directly influence on loyalty.

Kotler and Armstrong (2012), the product quality is the characteristic of product or service that bear on its ability to satisfy stated or implied customer needs. The company will provide its best quality to consumers so that consumers continue to make purchases of the products offered. The analysis from Yuen and Chan (2010) found that the higher product quality can maintain the highest level of client satisfaction, which inspires customers to form future purchase. The customers also use price as one of the standard level of their satisfaction. Kotler and Armstrong (2012) suggested that "Price is the sum of the values that customers exchange for the benefits of having or using a product or service". The effect of prices is a visible impact on competitors and consumers because the impact of price changes is more immediately and directly felt. Attraction based on price is the most easily communicated. Research Voss et al. (1998), and Bei and Chiao (2001), found that the price has a positive significant effect on customer satisfaction. The study conducted by Kumar (1987) revealed that brand image is more important than the original of the product, since the consumers were attracted by the brands. Keller (1993) defined brand image as the customers' perception of a brand that is described in the existing brand associations in consumers' minds. Aaker and Keller (1990), Tu et al. (2012), Thakur and Singh (2012), found that the brand image has a positive effect on satisfaction. Although it has many research studies on brand image, but it is still needed to conduct further

research especially for accommodate the specific characteristics of business Fast Moving Customer Goods in Indonesia in which it has unique customers.

Therefore, the researcher wants to investigate the positive significant effect of the product quality, price, and brand image of personal care product by Unilever Indonesia toward customer satisfaction and customer loyalty.

2. METHOD

This study included in quantitative study. The type of this study is causal research, where the researcher will test a specific hypothesis and assess certain correlation. This study took place in Surakarta areas. The population of this study was all user or consumer of personal care product that consist from haircare, body care, oral care, and deodorant by Unilever Indonesia. The sample of this research were 108 respondents, and the sample consisting of 78 females (72%) and 30 males (28%). The sampling method that used in this research is probability sampling, where it is purposive sampling by consider the consumer of personal care product by Unilever Indonesia that has at least three times of purchasing experienced on the products. Moreover, the study uses primary data by distributed the questionnaires to the respondents.

3. FINDINGS AND ANALYSIST

3.1 The Positive Significant Effect of Product Quality Toward Customer Satisfaction of Personal Care Product by Unilever Indonesia

The result of regression between product quality and customer satisfaction indicates the t value for product quality is 3.517, the B value is positive 0.229 with significant of $0.001 < 0.05$. Therefore, H_0 is rejected and H_1 is accepted, which means that the product quality has a positive significant effect on customer's satisfaction of personal care products by Unilever Indonesia. Its implied that if the Unilever Indonesia want to increase the value of customer satisfaction, they must consider to improve the product quality. This implication supporting by Zeithaml and Bitner (1996) study,

which is the customer satisfaction is exclusively influenced by the specific product features and perception of quality. Another assumption is from Zeithal & Bitner (2003,87-89), which stated that the customer satisfaction has been influenced on the positive way by product quality.

3.2 The Positive Significant Effect of Price Toward Customer Satisfaction of Personal Care Product by Unilever Indonesia

The result of regression between price and customer satisfaction indicates the t value for price is 3.907, the B value is positive 0.235 with significant of $0.000 < 0.05$. Therefore, H_0 is rejected and H_2 is accepted, which means that the price has a positive significant effect on customer's satisfaction of personal care products by Unilever Indonesia. Its implied that when the buyers see the quality of the product is the same as the price offered, their perception is they feel satisfied after buying a product. The price perception is based on price relativity and performance (the OL,1998). The Unilever can get the customer satisfaction by increasing the price with the condition that the product assumption of the costumer reach out after buying the product. The result is also supporting with the previous assumption from Voss et al. (1998), and Bei and Chiao (2001), found that the price has a positive significant effect on customer satisfaction.

3.3 The Positive Significant Effect of Brand Image Toward Customer Satisfaction of Personal Care Product by Unilever Indonesia.

The result of regression between brand image and customer satisfaction indicates the t value for brand image is 5.277, the B value is positive 0.307 with significant of $0.000 < 0.05$. Therefore, H_0 is rejected and H_3 is accepted, which means that the brand image has a positive significant effect on customer satisfaction of personal care products by Unilever Indonesia. It indicates that the customer satisfaction of the personal care product by Unilever can be achieved by increasing the knowledge of the product toward consumer by promotion to build the image of the product. Abrazhevich (2001) found that favourable image of product within the mind of

customers has a crucial impact on buy, which are showing more of the customer's interest in purchasing the cosmetic products or personal care product. This result also supporting with the previous assumption from Aaker and Keller (1990), Tu et al. (2012), Thakur and Singh (2012), found that the brand image has a positive effect on satisfaction.

3.4 The Positive Significant Effect of Product Quality Toward Customer Loyalty of Personal Care Product by Unilever Indonesia

The result of regression between product quality and customer loyalty indicates the t value for product quality is 3.652, the B value is positive 0.267 with a significant of $0.000 < 0.005$. Therefore, H_0 is rejected and H_4 is accepted, which means that the product quality has a positive significant effect on customer loyalty of personal care products by Unilever Indonesia. It implied that the Unilever Indonesia want to get more of the loyalty from the customer, they must considered to improve the product quality. It is supporting by Akpoyomare (2014), stated that quality of higher merchandise tend to extend client loyalty. The result also supporting with the previous assumption from Zeithaml, Parasuraman, and Berry (1996), the product or service quality can directly influence on loyalty.

3.5 The Positive Significant Effect of Price Toward Customer Loyalty of Personal Care Product by Unilever Indonesia

The result of regression between price and customer loyalty indicates the t value for price is 2.139, the B value is positive 0.146 with significant of $0.035 < 0.05$. Therefore, H_0 is rejected and H_5 is accepted, which means that the price has a positive significant effect on customer loyalty of personal care products by Unilever Indonesia. It implied that the Unilever Indonesia want to get more of the loyalty from the customer, they must considered to improve the product price. The result is supporting with the previous assumption from Mahmud, et al (2014) price have a big influence on client loyalty with a positive relationship

3.6 The Effect of Brand Image Toward Customer Loyalty of Personal Care Product by Unilever Indonesia

The result of regression between brand image and customer loyalty indicates the t value for brand image is 2.169, the B value is positive 0.150 with a significant of $0.032 < 0.05$. Therefore, H_0 is rejected and H_6 is accepted, which means that the brand image has a positive significant effect on customer loyalty of personal care products by Unilever Indonesia. It implied that the Unilever Indonesia want to get more the loyalty from the customer, they must considered to improve the brand image of the product. The research by Kumar (1987) revealed that brand image is more important than the origin of the product, since the consumers were attracted by the brand. The result is supporting with the previous assumption from Nguyen and Leblanc (2001) found that the degree of customer loyalty tends to be high in businesses where brand image is strong.

3.7 The Effect of Customer Satisfaction Toward Customer Loyalty of Personal Care Product by Unilever Indonesia

The result of regression between customer satisfaction and customer loyalty indicates the t value for customer satisfaction is 3.161, the B value is positive 0.328 with a significant of $0.002 < 0.05$. Therefore, H_0 is rejected and H_7 is accepted, which means that the customer satisfaction has a positive significant effect on customer loyalty of personal care products by Unilever Indonesia. It implied that the Unilever Indonesia want to get more the loyalty from the customer, they must consider to improve the customer satisfaction first. The result is supporting with the previous assumption from Bennett and Rundle (2004), and Schultz, (2005), stated that customers who feel satisfied by a product or service will form a loyal behavior. This behavior will lead to repetitive purchases and share a positive word of mouth. The studied by Jones and Sasser (1995) stated that the level of loyalty which actually begins with the assessment of very satisfied with it receives from the company.

3.8 The Effect of Customer Satisfaction Toward Customer Loyalty of Personal Care Product by Unilever Indonesia

The study also reveals that the customer loyalty is effected by the product quality, price, and brand image through by the customer satisfaction. It can be seen in Sobel test. It shows that the results of the t value of product quality is 2.2987 higher than 1.984, it can be concluded that Customer Satisfaction is proven to mediate the effect of Product Quality on Costumers Loyalty. For t value of price is 2.4095 higher than 1.984, it can be concluded that Customer Satisfaction is proven to mediate Price's influence on Costumers Loyalty. For t value of brand image is 2.6744 higher than 1.984, it can be concluded that Customer Satisfaction is proven to mediate the effect of Brand Image on Costumers Loyalty. It implied that the customer satisfaction must be reach by Unilever Indonesia to get the loyalty of the customer, which is influenced by the product quality, price, and brand image. It appropriates with the Zeithaml and Bitner (1996) study which shows that the customer satisfaction is exclusively influenced by service quality, brand quality, price, situational factors, and human factors. The result also supported with the previous assumption from Selnes (1993), which stated that customer loyalty can be formed if the customer is satisfied with the brand or the level of service received and intend to continue the relationship.

4. CONCLUSION

Based on the results of the data analysis and the discussions above, the conclusions are product quality has a significant effect on customer satisfaction, price has a significant effect on customer satisfaction, brand image has a significant effect on customer satisfaction, product quality has a significant effect on customer loyalty, price has a significant effect on customer loyalty, brand image has a significant effect on customer loyalty, customer satisfaction has a significant effect on customer loyalty. Moreover, the result found that the customer satisfaction is significantly mediating between the customer loyalty with the product quality, price, and brand image.

4.1 Research limitation

After all of the data analysis and the discussions is done in this research, the limitation of the study are the research respondent is only the Surakarta people, while the research respondent area is huger than this, it will make the research's result more reflecting the whole Unilever Indonesia's personal product consumer. The other limitation is the variables of the study consist of four variables, including product quality, price, brand image, and customer satisfaction, while there are still many factors that could affected the customer loyalty.

4.2 Suggestion

Based on based on the result of the study, there are two recommendations explained for further researcher, which is uses a huger area for spreading the questionnaire toward the respondents, and using more variations in variables in his research, such as promotion, channel distribution, future store, and others that can show the effect of the customer satisfaction and customer loyalty. Besides that, the researcher also have three recommendations for Unilever Indonesia, which is they must be more creative and innovative while make introduction the new product to the consumer on TV, because most of the customer getting the product information by TV's advertisement; they must be more creative and innovative while place the product into the heart of customer, because the research found that the good grand image is the main variable that effecting of customer satisfaction and loyalty, and the last they must be more creative and innovative on the produce of product, because the consumer more interesting to the product which has many variances.

BIBLIOGRAPHY

- Aaker, D. A., & Keller, K. L. (1990). Consumer Evaluation Of Brand Extensions. *Journal of Marketing*, 54, 27-41.//
- Aaker, D. A. (1997). *Manajemen Ekuitas Merek*. Jakarta: Spektrum.

- Abrazhevich, D. (2001), "*Electronic payment systems: issues of user acceptance*", in Stanford-Smith, B. and Chiozza, E. (Eds), *E-Work and E-Commerce*, IOS Press, Amsterdam, 354-360.
- Arikunto. (2010). *Prosedur Penelitian: Suatu Pendekatan Praktek*. Jakarta: Rineka Cipta.
- Dharmmesta, B. S., & Hani, 2000, *Manajemen Pemasaran " Analisa perilaku konsumen "*. Edisi pertama cetakan ketiga. BPFEYogyakarta, Yogyakarta.
- Bei, Lien, Ti., Yu, Ching. (2001). " Integrated Model for the effects of perceived product, perceived service quality, and perceived price fairness on consumer satisfaction and loyalty ". *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behaviour*.
- Bennett, R. and Rundle-Thiele, S. (2004), "Customer satisfaction should not be the only goal", *Journal of Services Marketing*, Vol. 18 No. 7, pp. 514-23.
- Bennett, R. and Rundle-Thiele, S. (2005), "The Brand Loyalty Life Cycle: Implications for Marketers," *Brand Management*, Vol. 12.
- Bitner, Mary Jo, Zeithaml, Valarie A, (1996). *Services Marketing. Edisi 1. Boston. MCGraw-Hill*.
- Bougie, & Sekaran. (2013). Edisi 5, *Research Methods for Business: A skill Building Approach*. New York: John Wiley & Sons.
- Djarwanto, dan Subagyo. 1996. *Statistik Induktif*. Edisi keempat. BPFE. Yogyakarta.
- Garvin, D. A. (1987). *Managing Quality*. New York: The Free Press.
- Ghozali, I. 2005. *Aplikasi Analisis Multivariate Dengan Program SPSS*. Edisi Ketiga. Semarang: Badan Penerbit Universitas Diponegoro.
- Ghozali, I. 2011. "*Aplikasi Analisis Multivariate Dengan Program SPSS*". Semarang: Badan Penerbit Universitas Diponegoro.
- Griffin, J. 2007. *Customer Loyalty Menumbuhkan dan Mempertahankan Kesetiaan Pelanggan*. Jakarta: Erlangga.
- Gupta, V. 1999. *SPSS for Beginners*. Tualatin: VJ Books.
- Hair, J.F. 2009. *Multivariate Data Analysis*. Edisi 9. New Jersey: Pearson Education.
- Hawkins, B., & Coney, 2004, *Consumer Behavior, Building Marketing Strategy International Edition*, Mc Graw Hill Companies, Inc.
- Husein, U. (2005), *Metode Penelitian Untuk Tesis Dan Bisnis*, Jakarta: Grafindo Persada.

- Jones, T.O & Sasser, W.E. Jr. (1995), "Why Satisfied Customer Defect", *Jurnal Harvard Business Review*, Vol. 73, No. 6, November-Desember 1995.
- Kapferer, J.,N. 1992. *Strategic Brand Management: New Approaches to Creating and Evaluating Brand Equity*. New York: The Free Press.
- Keller, L.L. (1993). Conceptualising, measuring and managing customer based brand equity. *Journal of Marketing*.
- Kleinbaum. 1988. *Applied Regression Analysis and Other Multivariable Methods*. PWS-KENT Publishing Company. Boston.
- Kotler, P. Keller, K, L. 2012. *Marketing Management 14th edition*. Jakarta:PT. Indeks Kelompok Gramedia.
- Kotler, Philip, J., dan Heskett L. J. (1999). *Corporate Culture And Performance*. Jakarta: PT. Prehalindo.
- Kotler, Philip, dan Armstrong, G. 2012. *Prinsip-prinsip Pemasaran*. Edisi 13. Jilid 1. Erlangga : Jakarta.
- Kotler, Philip.2003. *Manajemen Pemasaran*. Edisi kesebelas, Jakarta: Indeks kelompok Gramedia.
- Margono, 2004, *Metodologi Penelitian Pendidikan*, Jakarta :Rineka Cipta.
- Nguyen, N. dan Leblanc, G. (2001). Corporate Image and Corporate Reputation in Customers' Retention Decision in Services. *Jurnal retail dan jasa*, Vol. 8.
- Oliver, Richard L., 1999, "Whence Consumer Loyalty", *Journal of Marketing*., Volume 63 Special Issue, pp. 33-44.
- Ostrowski, Peter L., O'Brien T., dan Gordon G. 1993. Service Quality and Customer Loyalty in The commercial Airline Industry. *Journal of Travel Research* 32 (Fall): 16-24.
- Rangkuti, F. 1997. *Analisis SWOT Teknik Membedah Kasus Bisnis*. Jakarta: Gramedia Pustaka Utama.
- Santoso, S. 2001. *Mengolah Data Statistik Secara Profesional*. PT. Alex Media Komputindo. Jakarta.
- Sarwono, S, W. 2012. *Psikologi Remaja*. Jakarta: PT. Raja Grafindo Persada.
- Schultz, Duane, P. dan Schultz, S. E. (2005). *Theories of Personality Eight Edition*. United States of America: Wadsworth, a division of Thomson Learning.
- Sekaran, U. (2003), *Research Methods For Business: A Skill Building Aproach*, New York-USA: John Wiley and Sons, Inc.

- Selnes, F. (1993), An Examination of the Effect of Product Performance on Brand Reputation, Satisfaction and Loyalty, *European Journal of Marketing*, Vol.27.
- Sugiono. 1999. *Metodologi Penelitian Administrasi. Edisi Kedua*. Bandung: CV Alfa Beta.
- Sugiono. 1999. *Metodologi Penelitian Administrasi. Edisi Kedua*. Bandung: CV Alfa Beta.
- Sugiyono. 2010. *Metode Penelitian Pendidikan Pendekatan Kuantitatif, kualitatif, dan R&D*. Bandung: Alfabeta
- Thakur, Satendra and Dr. A. P Singh. 2012. Brand Image, Customer Satisfaction and Loyalty Intention: A Study in The Context of Cosmetic Product Among The People of Central India. *International Journal of Multidisciplinary Management Studies*, Vol.2 (5): pp. 2249 8834.
- Tjiptono, F. 2008. *Strategi Pemasaran*, Edisi Ketiga. Andi, Yogyakarta.
- Yuen, E.F.T., & Chan, S.S.L. (2010). The Effect of Retail Service Quality and Product Quality on Customer Loyalty. *Journal of Database Marketing & Customer Strategy Management*. 17, 222–240.