

**THE EFFECTS OF PRICE PROMOTIONS ON CUSTOMER
EVALUATIONS IN MOM MILK SURAKARTA**



Submitted as Partial Fulfillment of the Requirement for Getting
Bachelor Degree of Economics in Economics and Business Faculty

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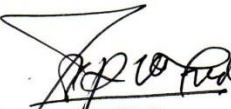
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Hereby declare that this bachelor thesis entitled:

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THE EFFECTS OF PRICE PROMOTIONS ON CUSTOMER EVALUATIONS IN MOM MILK SURAKARTA

ABSTRAK

Makalah ini membahas hubungan antara promosi harga, kepuasan pelanggan dan niat membeli kembali dalam konteks Mom Milk Surakarta. Data dikumpulkan dengan menggunakan survei berbasis kuesioner yang terdiri dari 12 pertanyaan dan didistribusikan kepada 100 responden dari konsumen Mom Milk Surakarta yang telah membeli produk mereka setidaknya dua kali. Untuk menganalisis data yang diperoleh dari kuesioner, digunakan metode kuantitatif. Temuan menunjukkan bahwa promosi harga berhubungan positif dengan kepuasan pelanggan dan niat membeli kembali. Akhirnya, peneliti menyarankan agar temuan penelitian ini dapat dijadikan acuan untuk penelitian masa depan di bidang terkait, namun juga dapat dijadikan acuan bagi perusahaan untuk membangun strategi rencana pemasaran yang efektif dan efisien mengingat pentingnya promosi harga untuk meningkatkan kepuasan pelanggan dan niat membeli kembali.

Kata Kunci: *Promosi Harga, Kepuasan Pelanggan, Niat Membeli Kembali.*

ABSTRACT

This paper explores the relationship between price promotion, customers satisfaction and repurchase intention in the context of Mom Milk Surakarta. The data were collected using a questionnaire-based survey consisting of 12 questions and is distributed to 100 respondents from the consumers of Mom Milk Surakarta who already purchased their products at least twice. In order to analyze the data obtained from the questionnaires, quantitative methods were employed. The findings suggest that price promotion is positively related to customers satisfaction and repurchase intention. Finally, the researcher suggest that the findings of this research can be used as reference for the future research in related fields, it also can be used as reference for company to build an effective and efficient marketing plan strategy considering the importance of price promotion to enhance customers satisfaction and repurchase intention.

Keyword: *Price Promotion, Customers Satisfaction, Repurchase Intention.*

1. Introduction

A consumer has a willingness to repurchase the same brand because he or she had a good experience or it has matched with their expectations. In fact, repeat purchase is described as the most important element to drive profitability of a firm

(Reichheld and Sasser, 1990). Repeat-purchase intention is the degree to which customers are willing to purchase the same product or service and it is a simple, objective, and observable predictor of future buying behavior (Lin and Liang, 2011; Jones and Sasser, 1995; Seiders et al., 2005). Customer repeat-purchase intention is critical to store profitability (Jones and Sasser, 1995; Oliver et al., 1997; Reichheld and Sasser, 1990). For example, Reichheld and Sasser (1990) pointed out that a 5 percent improvement in customer retention can increase profits by 25-85 percent, and the cost of attracting a new customer is about five times that of retaining an old one. Product or service providers thus can effectively increase profits and reduce costs as long as they can successfully retain customers and induce their repeat-purchase intentions. Most product and service providers are concerned in determining the most effective ways to retain their customers. For example by giving price promotion as an incentive to them.

The purpose of sales promotion is to influence the purchasing behaviour of consumers by accelerating in purchasing or consumption, thereby providing them with an incentive to react quickly to the promotional offer. These incentives are usually offered for a limited time only, where consumers have to make a decision quickly. Price promotions are common strategies for attracting consumers and increasing sales in the food service industry. Price promotions are “reducing the price for a certain quantity or increase the quantity available at the same price, thereby enhancing value and create an economic incentive to purchase” (Raghubir and Corfman, 1999). Companies usually use consumer promotions to increase trials, attract brand switchers, motivate price-sensitive buyers, encourage repeat usage, or provide added value (Huff and Alden, 2000). It is widely accepted that short-term price promotions can generate tangible extra sales immediately, presumably due to increase numbers of buyers. However, it is important to understand the long-term effects of price promotions, including their influence on consumer product evaluations and repeat-purchase behaviors. A positive product evaluation may help to

retain consumers and encourage repeat purchases, whereas a negative evaluation may reduce consumer purchasing behavior when the promotion ends.

Research on the effects of price promotions on consumer brand evaluations has yielded inclusive results according to the literature. Some studies have shown distinctly negative effects of price promotions on consumer quality and satisfaction evaluations, whereas others have shown positive or non-existent effects (Campo and Yague, 2008; Davis *et al.*, 1992; Ehrenberg *et al.*, 1994; Villarejo-Ramos and Sanchez-Franco, 2005). Additionally, the effects of price promotions in the food service industry may differ from those in other product categories because the product includes both intangible and tangible characteristics. Thus, it is important for food-service managers to understand the impact of price promotions may have and to be aware of related influential factors. The current study sought to determine how price promotions influence customer product evaluations in milk chain stores and to identify factors that influence this process.

Mom Milk Company opened its first retail store in Surakarta in 2011. It brought a Local and Western milk-drinking culture to Surakarta and increased the popularity of milk consumption in the country. Recognized as a Local brand, Mom Milk has now become the leading of milk chain store in Surakarta. Generally, due to the increasing popularity of milk drinking in Surakarta, several other milk chain stores have opened, it increases the competition in the milk drinking industry.

Many previous research related to price promotions have been conducted using experimental designs. Since the business has long encouraged academicians to engage in more real world problems and solutions (Gagnon, 1982), the researcher intended to empirically examine the effects of price promotions by working in a real-world environment. A model will be proposed and tested to investigate the effects of price promotions on perceived quality, satisfaction and repeat-purchase intentions, and the moderating role of customer characteristics in this process.

1.1. Theoretical Background

In this chapter, it will be discussed widely and detailed about the effect of price promotions and customers satisfaction on repurchase intention. The author will review the existing variable in price promotion, customer satisfaction and repurchase intention. The sources of information are derived from related various international journals.

1.1.1 Price promotion

Price promotion means the reduction of the price for a certain volume of product or increasing the quantity of the product for the same price (Hung et al., 2013). Price promotion is a common strategy to attract consumers and increase sales in the food industry. Price promotion means the reduction of the price for a certain volume of product or increasing the quantity of the product for the same price, hence the value is increased and creates an economic incentive to buy the product (Raghubir And Corfman, 1999). Companies often use consumer promotion to increase sales, attract consumers, motivate price-sensitive buyers and encourage customers to repeat purchase or create added value (Huff and Alden, 2000).

Many studies show that promotion can have positive effects on consumer perception of value associated with the proposal (Darke and Dahl, 2003). In recent years a growing understanding of the need for long-term relationships between buyers and suppliers of goods and services is created. This confirms that long-term relationships can bring beneficial effects such as reducing costs and improving productivity for organizations (Gyau and Spiller, 2008). In other words, if a customer wants to compare prices in purchase decision-making process, he/she should do a comparison between the products of a company with other competitors. Therefore, with relative price we mean comparing the price of goods or services with other competitors. The importance of the comparison is theoretically studied and extensive studies have been done on the impact of price comparison on customer satisfaction with prices (Matzler et al., 2006).

1.1.2 Customer satisfaction

Customer satisfaction is a feeling or attitude of a customer towards a product or service after using it. Customer satisfaction is the main result of marketing activity that serves as a link between the various stages of consumer buying behavior. For example, if customers are satisfied by a particular service, they are likely to repeat their purchase. Satisfied customers may also talk with others about their experiences as a result they are engaged in a positive word of mouth (oral - verbal) advertising. In contrast, dissatisfied customers will probably cut their ties with the company and will be involved in negative word of mouth advertising. In addition, behaviors such as repurchase and word of mouth advertising directly affect a company's survival and profitability. The results show that customer satisfaction is the fundamental basis of perceived quality. Findings also indicate the importance of evaluating the level of transactions in the quality of perceived relationships. Effective customer involuntary responses in the first minute and social impact of shopping are characteristics that determine the quality of perceived value. This context has a special attention to commitment. Application and appearance of product both have a direct impact on satisfaction and dependence to the product. Product dependence is per se a determining factor between the above-mentioned variables (Mugge et al., 2010).

Fu and Parks (2001) found that customer perceived quality has an important role in their intention to return to family restaurants. Oh (2000) has studied the family restaurants and found one of the most important determining factor for repurchase and after purchase behavior is customer satisfaction. Similar results were seen in the coffee industry. Reviewing 274 customers in four coffee shops, showed that satisfaction increases customer loyalty (Walsh et al., 2011).

1.1.3 Repurchase intention

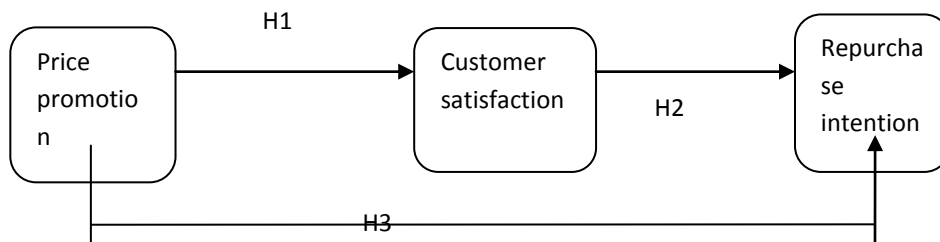
Fishbein and Ajzen consider intention determining action in a certain direction. They defined the behavior intention as subjective probability of shaping a particular behavior. For example, intention to buy a particular product is determined

as a good predictor of actual behavior in purchasing the product (Ramayaha et al, 2010). Often purchasing intention scale is often used to identify the possibility of buying goods during a certain time. Suggests that voluntary scales can be more effective than behavioral scales in achieving the customer's decision, because customers may be purchase under compulsion (Hu, 2010).

1.2 Research Framework

Based on the explanation of the literature review and recent studies above, the research will discuss the effects of price promotion on customer evaluation, customer satisfaction and repurchase intention, it can be arranged a research framework like this figure:

Figure 2.2
Research Framework



1.3 Hypothesis Formulation

1.3.1 Effect of price promotion on customers satisfaction

Customer satisfaction as a feeling or attitude of a customer towards a product or service after using it. Customer satisfaction is the main result of marketing activity that serves as a link between the various stages of consumer buying behavior. In other words, if a customer wants to compare prices in purchase decision-making process,

should do the comparison between our products or goods with other competitors. Therefore, with relative price we mean comparing the price of goods or services with other competitors. The importance of the comparison is theoretically studied and extensive studies have been done on the impact of price comparison on customer satisfaction with prices (Matzler et al., 2006).

H1: There is a positive and significant impact between price promotion on customers satisfaction.

1.3.2 Effect of price promotion and customers satisfaction on repeat purchase intention

Fu and Parks (2001) found that customer perceived quality has an important role in their intention to return to family restaurants. Oh (2000) has studied the family restaurants and found one of the most important determining factor for repurchase and after purchase behavior is customer satisfaction. Similar results were seen in the coffee industry. Reviewing 274 customers in four coffee shops, showed that satisfaction increases customer loyalty (Walsh et al., 2011).

H2: There is a positive and significant impact between price promotion and customers satisfaction on repeat purchase intention.

1.3.3 Effect of price promotion on repeat purchase intention by mediating customers satisfaction

The companies often use consumer promotion to increase sales, attract consumers, motivate price-sensitive buyers and encourage customers to repeat purchase or create added value (Huff and Alden, 2000). Fishbein and Ajzen consider intention determining action in a certain direction. They defined the behavior intention as subjective probability of shaping a particular behavior. For example, intention to buy a particular product is determined as a good predictor of actual behavior in purchasing the product (Ramayaha et al, 2010). Often purchasing intention scale is often used to identify the possibility of buying goods during a

certain time. Suggests that voluntary scales can be more effective than behavioral scales in achieving the customer's decision, because customers may be purchase under compulsion (Hu, 2010).

H3: There is a positive and significant impact between price promotion on repeat purchase intention by mediating customers satisfaction.

2. Data Sources

Primary data is data obtained directly from the object to be studied. Primary data from this study came from questionnaires filled out by the respondent which are customer at Mom Milk Surakarta. By giving some direction and accompany the customer (sample) to fulfill the questionnaire, it will reduce the error for the data collection. Population is the entire group of people, events, or things that the researcher desires to investigate (Sekaran, 2013). In this study, the population is all of the customer in Mom Milk Surakarta. The population is about 250 customers everyday. Non-probability sampling was used to this study. Sampling was taken by using purposive sampling method, it means respondents already visited and purchased products at Mom Milk Surakarta at least twice they will be sample. Questionnaire was used to collect primary data and is done by distributing questionnaire to the respondent.

The questionnaire is divided into three parts, as follow: the first part with 5 questions about price promotion; second part with 3 the questions about customers satisfaction; and the last about repurchase intention with 4 questions. This instrument as prepared by using Likert scale. Likert scale is a measurement scale used to measure attitudes, opinions and one's perception of social phenomena. All of these constructs were measured using five-point Likert scales (1 = strongly disagree, 5 = strongly agree).

3. Finding and Data Analysis

3.1 Validity Test

Validity test shows how far the instruments are able to measure what is supposed to be measured (Hartono, 2004). The researchers used SPSS version 16.0 for Windows to analyze the validity using Pearson Correlation in this study. Validity test was measured by comparing the values Bivariate Pearson with the calculated r table = 0,195 (Ghozali, 2007). It can be concluded valid if value of r count higher than r table.

Table 4.10

Variable	Code	R Value	R table	Conclusion
Price Promotion	PP1	.652	.195	Valid
	PP2	.594	.195	Valid
	PP3	.624	.195	Valid
	PP4	.737	.195	Valid
	PP5	.629	.195	Valid
Customers Satisfaction	S1	.736	.195	Valid
	S2	.830	.195	Valid
	S3	.775	.195	Valid
Repurchase Intention	RP1	.651	.195	Valid

	RP2	.801	.195	Valid
	RP3	.711	.195	Valid
	RP4	.598	.195	Valid

Sources: Primary data that have been process, 2017

3.2 Reliability Test

Reliability test is used to ensure that the measurement is error free and can be applied consistently despite different time and different items on the test instrument (Sekaran, 2013). The technique used is by Cronbach's alpha value. Comparing with the minimum reliable level (0.60), it is shown that the items used in the study are reliable (Hair, et. al., 2006). From the results of the reliability test of the variables, it is obtained Cronbach's alpha values of each variable, shown in Table 4.11 below.

Table 4.11

Result of Reliability Test

Variable	Cronbach's Alpha Value	Conclusion
Price Promotion	.673	Reliable
Customers Satisfaction	.715	Reliable
Repurchase Intention	.664	Reliable

Sources: Primary data that have been process, 2017

3.3 Path Analysis

Path analysis is the expansion of regression statistics model. It can be said that regression analysis is the special form of path analysis. Path analysis is used to describe or represent and test the model of causal relationship between variables

(Sugiyono, 2009). The result of path analysis in this study is presented in the following table.

Table 4.12

Variable	Model 1 (Customers Satisfaction)		Model 2 (Repurchase Intention)	
	Coefficient B	Sig	Coefficient B	Sig
Constant	7,999		1,441	
Price Promotion	0,250	0,000	0,630	0,000
Customers Satisfaction			0,158	0,031
	R ²	0,173	R ²	0,752
	Ftest	0,000	Ftest	0,000

4. Conclusion

The result of research can be summed up on the following conclusions:

From the data that has been done, it was found that price promotion has significant influence on the customers satisfaction. Therefore, the H1 is accepted. In other word, price promotion has significant and positive impact on customers satisfaction. It means that price promotion have positive influence to customers satisfaction. This research concludes that the price promotion has significant and positive impact on repurchase intention. Therefore, the H2 is accepted. In other word, price promotion has significant and positive impact on repurchase intention.

Customers satisfaction has insignificant and positive impact on repurchase intention. So, the H3 is accepted. In other word, customers satisfaction has insignificant and positive impact on repurchase intention. Through the manual measurement, this can be concluded. This study also confirms there is intervening variable has a mediating ability. Customers satisfaction as the intervening variable has mediating ability between price promotion as the independent variable and repurchase intention as the dependent variable.

Limitations, The respondent of this research are mostly the customers of Mom Milk Surakarta. There are still many people from other place outside Surakarta which already make purchase at Mom Milk. The research only focuses on one object, Mom Milk Surakarta. This research only focuses on price promotion, customer evaluation, satisfaction and repurchase intention, without taking other variables which may have affect on those variables.

Suggestions, Future studies should consider the possibility of increasing the sample size by including more respondent from various characteristics. Future studies can be replicated with a larger population. Try to test the model of this study in another object place. The place is likely give an interesting price promotion.

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