

Determinants of Consumer Satisfaction That Influence Customer Loyalty (The Case of Milk in Indonesia Company)

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Abstract: This study aims to find out what variables can determine Consumer Satisfaction and its effect on customer loyalty of dairy companies in Indonesia. The data used in this study was in the form of primary data collected from the results of respondents' answers based on questionnaires given to respondents. The data processing method uses the *Path Analysis* method with the help of SPSS version 21.0. Statistical testing uses Direct influence test and Indirect influence test. Research result shows that promotion as one of the variables directly affects consumer satisfaction, and price has a direct influence on consumer satisfaction. Like wise, sales promotion has a direct effect on customer loyalty, and price has a direct effect on customer loyalty. The consumer satisfaction variable as an intervening variable directly affects customer loyalty. For sales promotion, the effect is also indirectly limited to customer loyalty through variable intervening, namely consumer satisfaction and prices affect indirectly on customer loyalty through variables intervening is consumer satisfaction. Thus sales promotion that is able to enter into the thinking of consumers and the appropriate price according to consumers is able to provide satisfaction for customers so as to be able to influence customer loyalty. From the results of this study, it is able to retain customers so that milk companies in Indonesia need to pay attention to the right sales promotion factors and appropriate product prices for customers.

Key words: Sales promotion, milk product prices, customer satisfaction, consumer loyalty.

I. Introduction

In Indonesia the milk-based product industry is developing quite rapidly, with the emergence of new innovations in the field of processing milk-based products, as well as the composition and packaging are made to attract attention at affordable prices, besides that this is also increasingly educated and increasing awareness of the Indonesian people about the importance of consuming milk every day. Consumer satisfaction will be a guide line to direct the entire organization towards meeting consumer needs so that it becomes a source of sustainable competitive advantage. From a customer perspective, many customer complaints and rights are ignored regarding too high prices, poor product quality, quite expensive prices, still not available in several nearby retailers, and also the public's interest is still minimal in consuming milk. This difference between expectations and the reality obtained by consumers, if not properly anticipated by the company, will be a bomberang for the company it self.

In the long run, consumer satisfaction is the goal for strategic market planning, besides that it is also used as a basis for sustainable competitive development, namely excellence that can be realized through marketing efforts. Consumer satisfaction positively affects the company's profit through the effect of reducing costs and adding income per consumer (Kington *et al.*, 2018; Kotler, Philip &Amstrong, 2016).

According to (Kotler, Philip &Amstrong, 2016) the one who states that Satisfaction is a person's feeling of pleasure or disappointment that arises after comparing the performance of the product in mind to the expected performance of the product. (Kotler & Armstrong, 2013) Loyalty is a customer's deep commitment to resubscribe or make consistent purchases of selected products/services in the future, even though the influence of the situation and marketing efforts have the potential to make customers switch. Taking into account the cost reduction effect, that while maintaining consumer satisfaction, it will incur less costs than acquiring one new consumer and the cost of retaining consumers decreases through out this phase of the company's life cycle.

Companies operating in the production sector will certainly consider policies regarding how important the quality of the products provided is compared to the satisfaction received by consumers. Product quality and consumer satisfaction are different concepts from the argument that the perceived product quality is a form of attitude, a thorough evaluation in the long term, while satisfaction is a certain transaction size. Therefore, satisfaction lasts in the short term, but never the less it is expected to be able to strengthen consumer loyalty with good and expected product quality. The higher the level of quality of the perceived product, the more increased consumer satisfaction. The statement confirms the close relationship between the quality of production and consumer satisfaction. (Lahtinen *et al.*, 2020)

Sales promotion often cooperates with other promotional tools such as advertising. Advertising offers a reason to buy, while sales promotion offers an incentive to buy. According to (Wichmann *et al.*, 2021) said that Promotion is a form of direct persuasion through the use of various incentives that can be arranged to stimulate the purchase of products immediately and or increase the amount purchased by customers and make consumers satisfied so as to carry out repurchases. Sales promotion can make it easier for a potential buyer to get information. One of the goals of new product promotion activities is to help buyers learn about the product.

II. Theory

Each company after deciding on a marketing strategy, it should begin to prepare a detailed marketing mix plan. In carrying out marketing activities, the company combines four variables that are very supportive in determining the marketing strategy, the combination of the four variables is known as a marketing mix consisting of product, price, place and promotion. In addition, according to defining (Kaur & Soch, 2018) the marketing mix is a series of activities that determine prices, product development, promotion and distribution that are well combined. Marketing mix is carried out by marketing managers based on the target market and the positioning of products in the target market.

Mean while, defining a marketing mix is a combination of variables or activities that are the core of the marketing system, namely variables that can be controlled by the company to influence (al Badi, 2018) the re-action of buyers or consumers. Based on some of the opinions above, it can be concluded that the marketing mix is a series of tools or a combination of marketing variables that are the core of the marketing system. It consists of a well-combined product, price, distribution and promotion in which all such variables complement each other in an effort to achieve the goal. Marketing mix can also be used as a measuring tool to review how performance or activities occur in a company. Variable Sales promotion often cooperates with other promotional tools such as advertising. Advertising offers a reason to buy, while sales promotion offers an incentive to buy. (Lim, 2021) Where as sales promotion is a one-way flow of information or persuasion that can lead an organization or someone to create transaction between buyer and seller. According to price, it is also stated that (al Badi, 2018) it has two main roles in the decision-making process of buyers, namely the role of allocation and the role.

The role of price allocation, which is the function of price in helping buyers to decide how to obtain the highest expected benefits based on their purchasing power. Thus, the presence of prices can help buyers to decide how to allocate their purchasing power to various types of goods or services. The purchase compares the prices of the various available alternatives, then decides on the desired allocation of funds. The role of information from prices, namely the function of prices in educating consumers about product factors, such as quality. This is especially useful in situations where the buyer has difficulty objectively assessing the factors of production or their benefits.

The perception that often prevails according to is that the high price reflects high quality. Prices can also be set with the aim (Kotler, Philip & Armstrong, 2016) of preventing the entry of competitors, maintaining consumer confidence, supporting resale or avoiding government interference. Consumers decide to buy a product if the perceived benefits are greater or equal to those that have been spent to obtain it. If consumers feel that the benefits of the product are smaller than the money spent, consumers will think that the product is expensive and consumers will think twice about making a repurchase. According to explain there are four measures that characterize the price, are (Kotler, Philip & Armstrong, 2016) the affordable price, the conformity of the price with the quality, the conformity of the price with the benefits, and the price according to the ability or purchasing power.

(Kotler, Philip & Armstrong, 2016) states that consumer satisfaction is the level at which the perceived performance of the product will be in accordance with the expectations of a consumer. When the performance of the product is much lower than the expectations of consumers, the buyer is not satisfied. On the other hand, when the performance is in line with expectations or exceeds expectations, the buyer feels satisfied or feels very happy. suggests that consumer satisfaction is an evaluation of inherent surprise or inherent in product acquisition and/or consumption experience. When competition in the business field is getting tougher, producers are trying to fulfill

consumer desires by offering various types of their products, the impact is that consumers have many choices, the bargaining power is currently getting bigger and bigger which encourages each company to encourage its orientation on consumer satisfaction, which as the main goal in the company, the company will be happy if the consumer gets satisfaction, as a result of which the consumer becomes loyal, so that it will have a positive impact on the company. (Kaur & Soch, 2018)

Consumers will be more satisfied if it is relatively easy, comfortable and efficient in obtaining products or services. From the theory above, there are several factors that affect the consumer satisfaction factor. It is clear that what is meant by customer satisfaction is for service that meets expectations. (Kington *et al.*, 2018) The indicator of consumer satisfaction can be conveyed is the work force, which is the main characteristics of a product and is the main characteristic that consumers consider in buying a product. Its features relate to the choice of products and their development, that is, secondary or complementary characteristics. From Reliability, namely the possibility of a good or service being damaged or malfunctioning in a certain period of time and certain conditions.

Furthermore, conformance to specification i.e. where the design and operating characteristics meet the standards set earlier based on the wishes of consumers. Also seen from the durability which is related to the technical age and age of the product. The next characteristic is service ability which includes speed, competence, comfort, easy to repair, and satisfactory complaint handling. And esthetics i.e. daya pull products according to consumer sensing, for example design models and colors.

The variable of customer loyalty in order of loyalty is the customer's commitment to staying deep to resubscribe or repurchase selected products/services consistently in the future, even though the influence of the situation and marketing efforts have the potential for behavior change. (Goutam *et al.*, 2021) Customer loyalty is the loyalty to remain a customer of a certain company, where the customer has a positive attitude towards a company, has a commitment to the company and intends to continue to use in the future. As well as there is a good attitude to recommend others to buy products. An indication of true loyalty requires a measurement of attitudes combined with measurements of behavior. The question arises whether the determinant of customer satisfaction is able to influence either directly or indirectly? And is customer satisfaction able to affect customer loyalty both directly and indirectly?.

III. Method

In this study, the population is consumers or customers who use the products of several ready-to-drink dairy products in the case in Indonesia. The sample is part of the number and characteristics possessed by that population. If the population is large, and the researcher is unlikely to study everything in the population, then the sampling formula used is the Slovin formula as follows, (Sugiyono, 2017); (Hermawan & Amirullah, 2016).

$$n = \frac{N}{1 + N(e)^2}$$

Information:

n= number of samples

N= population number

e= error (% tolerable to the inaccuracy of the use of samples in place of the population).

In this case, using an error tolerance limit of 10%, the population used in this study were consumers of some product milk in the last 3 months. In this study, the sampling technique was carried out using the basis of taking sampel Non probability sampling. Non probability sampling is a sampling technique that does not provide equal opportunities for each element or member of the population to be selected to be sampled (Sugiyono, 2017)

The analysis model uses path analysis, The path analysis model is used to analyze the pattern of relationships between variables with the aim of determining the direct or indirect influence of a set of exogenous variables on endogenous variables.

Path analysis is used to analyze patterns of relationships between variables with the aim of determining the direct or indirect influence of a set of exogenous variables on endogenous.

Structure 1: $Y = \rho_{yx1} X1 + \rho_{yx2} X2 + \rho_y \epsilon 1$

Structure 2: $Z = \rho_{zx1} X1 + \rho_{zx2} X2 + \rho_{zy} Y + \rho_z \epsilon 2$

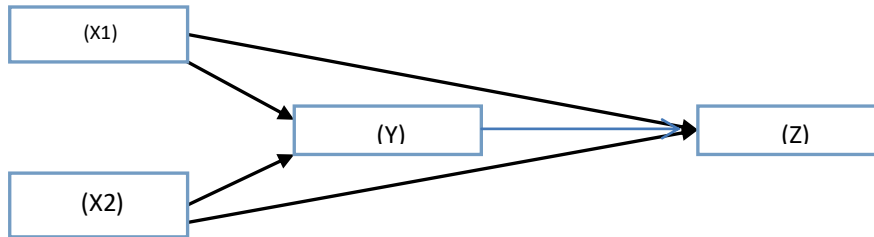
Information:

ρ = standardized regression coefficient/path coefficient

ϵ = influence of other variables not studied or error of measurement of variables

Testing carried out with a validity test is a tool used to measure the validity or not of a questionnaire. A questionnaire is said to be valid if the question on the questionnaire is able to reveal something that the questionnaire will measure. The validity examiner is carried out by means of internal validity using the item analysis technique by means of which the scores in the item in question are correlated with the total score. The item score (question) is viewed as the X value and the total score is viewed as the Y value, so the validity index of each item is obtained. And Reliability measurement aims to find out the level of reliability of the instrument. Reliability refers to an understanding that the instruments used in research to obtain the desired information can be trusted (relied on) as a data collection tool and are able to reveal actual information in the field. Classical assumption tests include normality tests, multicollinearity tests, autocorrelation tests and heteroskedasticity tests.

Conceptual framework:



Description:

X1 : Sales Promotion

X2 : Price

Y : Customer Satisfaction

Z : Customer Loyalty

IV. Result and discussion

Data testing is carried out with path analysis, which is to test relationship patterns that reveal the influence of endogenous variables on other exogenous variables, both direct and indirect influences.

Sub Structure 1 Testing Results:

Table 1. Coefficients^a

Type	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	4.784	2.399		1.994	.049
1 Promotions (X1)	.475	.081	.493	5.894	.000
Price (X2)	.403	.086	.389	4.659	.000

a. Dependent Variable: ConsumerSatisfaction

Source: SPSS 21 Test Results

Interpretation of T Test Results Sub Structure 1:

- 1) Promotion has a direct effect on individual (partial) or t-test on Consumer Satisfaction.
Table 1 shows the individual (partial) test or the t-test in the Sig value of 0.000, where the Sig value of 0.000 is less than 0.05 or [0.000 < 0.05], then the Ho denied Ha is accepted meaning that the path analysis coefficient is significant. So, Promotion has a significant effect on Milk Consumer Satisfaction.
- 2) Price has a direct effect individually (partially) or t-test on Milk Consumer Satisfaction.
Table 1 shows the individual (partial) test or the t-test in the Sig value of 0.000, where the Sig value of 0.000 is less than 0.05 or [0.000 < 0.05], then Ho is rejected and Ha is accepted meaning that the path analysis coefficient is significant. So, Promotions have a significant effect on Customer Loyalty.

Sub Structure 2 Testing Results:

Table 2.

Coefficients^a					
Type	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3.035	2.157		1.407	.163
Promotions (X1)	.293	.083	.314	3.537	.001
Price (X2)	.271	.084	.271	3.215	.002
Consumer Kepuasan (Y)	.340	.090	.351	3.763	.000

a. Dependent Variable: Customer Loyalty

Source: SPSS 21 Test Results

Interpretation of t-test Results Sub Structure 2:

- Promotions have an individual (partial) direct effect or t-test of Customer Loyalty.
Table 2 shows the individual test (partial) or the t-test in the Sig value of 0.01, where the Sig value of 0.01 is less than 0.05 or [0.000 < 0.05], then Ho denied Ha is accepted meaning that the path analysis coefficient is significant. So, Promotions have a significant effect on Customer Loyalty.
- Price has a direct (partial) effect or t-test on Customer Loyalty.
Table 2 shows an individual (partial) test or a t-test in the Sig value of 0.02, where the Sig value of 0.02 is less than 0.05 or [0.000 < 0.05], then Ho is rejected and Ha is accepted meaning that the path analysis coefficient is significant. So, Price has a significant effect on Customer Loyalty.
- Customer Satisfaction has a direct (partial) effect or t-test on Customer Loyalty.
Table 2 shows an individual (partial) test or a t-test in the Sig value of 0.000, where the Sig value of 0.000 is less than 0.05 or [0.000 < 0.05], then Ho is rejected and Ha is accepted meaning that the path analysis coefficient is significant. So, Customer Satisfaction has a significant effect on Customer Loyalty.

Calculation of Direct Influence and Indirect Influence

Based on *the Summary* and Path Coefficient of Sub Structure 1 and Sub Structure 2, it can be known the magnitude of the direct influence, indirect influence. The calculation of the influence between variables is as follows.

(a) Direct effect (DE)

Table 3. Direct influence

Influence	Towards	Symbol	Great Influence
Sales pitch (X1)	Customer Satisfaction (Y)	ρ_{yx_1}	0.493
Price (X2)	Customer Satisfaction (Y)	ρ_{yx_2}	0.389
Sales pitch (X1)	Customer Loyalty (Z)	ρ_{zx_1}	0.314
Price (X2)	Customer Loyalty (Z)	ρ_{zx_2}	0.271
Customer Satisfaction (Y)	Customer Loyalty (Z)	P_{zy}	0.351

Source: SPSS 21 Test Results

(b) Indirect Effect (IE)

Table 4. Indirect influence

Influence	Towards	Through	Symbol	Great Influence
Sales pitch (X1)	Customer Loyalty (Z)	Customer Satisfaction (Y)	$\rho_{yx_1} \times \rho_{zy}$	0.173
Price (X2)	Customer Loyalty (Z)	Customer Satisfaction (Y)	$\rho_{yx_2} \times \rho_{zy}$	0.136

Source: SPSS 21 Test Results

Based on the results of hypothesis testing, it turns out that the overall proposed alternative hypothesis is significantly acceptable. The description of each of the acceptances of the entire hypothesis in question can be described as follows:

Direct Influence:

1. Direct Effect of Sales promotion, price on Consumer Satisfaction: The results of the analysis prove that there is a significant and positive influence of sales promotion on consumer satisfaction as indicated by the standardized direct effect value of 0.493 or 49.3%. Thus the results of this analysis provide information that sales promotion has a significant and positive effect directly on consumer satisfaction. Based on the results of this study, it can be said that the better the sales promotion given, the more milk consumer satisfaction can increase. Similar studies have also been carried out (Kaur & Soch, 2018). Furthermore, to prove the direct effect of price on consumer satisfaction as indicated by the standardized direct effect value of 0.389 or 38.9%. Thus the results of this analysis provide information that the price has a significant and positive effect directly on consumer satisfaction. Based on the results of this study, it can be said that the better the price activities carried out, the more it can increase consumer satisfaction. Similar studies were also conducted. (Goutamet *et al.*, 2021)
2. Direct promotion and price on Customer Loyalty, proving that there is a direct influence of promotion on customer loyalty which is indicated by the standardized direct effect value of 0.314 or 31.4%. Thus the results of this analysis provide information that promosi has a direct effect on customer loyalty. Based on the results of this study, it can be said that the better the sales promotion , the more it can increase customer loyalty. A similar study was carried out by. Likewise, the direct effect of price on customer loyalty (Narsihet *et al.*, 2022). Meanwhile, the direct effect of price on customer loyalty with a standardized direct effect value of 0.271 or 27.1% thus provides information on the price of lower direct influence value to customer loyalty.
3. The direct effect of customer satisfaction on customer loyalty with a standardized direct effect value of 0.351 or 35.1%, this can inform the strength of consumer satisfaction that needs to be maintained so that there is still loyalty to milking in milk companies in Indonesia.

Indirect influence:

Indirect effect of sales promotion on customer loyalty: proving that there is an indirect influence of getting a value of 0.173 or 17.3%. Thus the results of this analysis provide information that sales promotion directly affects as much as 17.3% on customer loyalty. Based on the results of this study, it can be said that the better the sales promotion, the more it can increase milk customer loyalty. Furthermore, the indirect effect of price on customer loyalty has a value of 0.136 or 13.6%, although it has an indirect influence lower than sales promotion, however, the price problem must be maintained and maintained so that customers are still willing to use milk as a healthy and nutritious drink. Similar research has also been conducted by (Goutamet *et al.*, 2021; Lahtinenet *et al.*, 2020)

V. Conclusion

This research can provide a conclusion to dear readers that:

1. The results of this study have been able to build a theoretical model of the values contained in the promotion, price in relation to consumer satisfaction and customer loyalty. The results of the theoretical model explain that the values contained in promotions and prices directly affect customer loyalty and indirectly through consumer satisfaction affect customer loyalty. This research confirms the concept that consumer satisfaction has an effect on customer loyalty.
2. The results of this study can at the same time reveal the importance of milk companies as a good and nutritious drink, it is necessary to have good sales promotion and provide affordable prices to consumers in Indonesia

and can increase consumer satisfaction which will affect increasing customer loyalty to companies engaged in own beverage products.

3. Directly and indirectly, the variables of this study can determine consumer satisfaction and increase customer loyalty, especially milk drink products for the people in Indonesia.

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