THE EFFECTS OF PRODUCT QUALITY AND PRICE
ON SMARTPHONE CUSTOMERS' LOYALTY

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Abstrak

Penelitian ini dilakukan untuk mengetahui Harga dan Kualitas Produk terhadap loyalitas konsumen di kota Bandung. Tujuan dilakukannya penelitian ini adalah untuk mengetahui dan menganalisis bagaimana Harga dan Kualitas Produk yang diberikan Xiaomi kepada konsumennya, serta besarnya pengaruh Harga dan Kualitas Produk secara simultan dan parsial terhadap loyalitas konsumen di kota Bandung. Penelitian ini menggunakan metode kuantitatif dengan jenis penelitian deskriptif dan kausal. Pengambilan sampel dilakukan dengan metode non probability sampling jenis purposive sampling, dengan jumlah responden sebanyak 100 orang. Teknik analisis data menggunakan analisis deskriptif dan analisis regresi linier berganda. Berdasarkan hasil analisis data dengan software SmartPLS, ditemukan bahwa faktor harga dan kualitas produk secara bersama-sama berpengaruh positif dan signifikan terhadap loyalitas konsumen di Bandung.
Keywords: manajemen pemasaran, kualitas produk, administrasi bisnis

Abstract

This research was conducted to determine the price and product quality towards consumer loyalty in the city of Bandung. The purpose of this research is to determine and analyze how the price and quality of products provided by Xiaomi to its consumers, as well as the magnitude of the effect of product quality and price simultaneously and partially on consumer loyalty in Bandung. This research uses quantitative methods with descriptive and causal research types. Sampling was done by using a non-probability sampling method, purposive sampling type, with the number of respondents as many as 100 people. The data analysis technique used descriptive analysis and multiple linear regression analysis. Based on the results of data analysis with SmartPLS software, it was found that the price and product quality factors together had a positive and significant effect on consumer loyalty in Bandung.
Keywords: marketing management, product quality, business administration

1. INTRODUCTION

Technology, in general, is science related to tools or machines created to make it easier for humans to solve various kinds of problems or jobs in the world (Source: Teknologi.id). One of the most widely used technologies is communication technology. Communication technology is hardware equipment (hardware) in an organizational structure that contains social values that allow every human being to collect, process, and exchange information with other individuals (Wardhana et al., 2015). An example of communication technology is a smartphone (smartphone).

According to Wardhana et al. (2015), a smartphone is a cellular phone with a built-in microprocessor, memory, screen, and modem. Smartphones are multimedia phones that combine the functionality of a PC and a handset thus produces luxurious gadgets, in which there are text messages, cameras, music players, videos, games, email access, digital tv, search engines, personal information managers, GPS features, internet telephone services and there are even phones that also function as credit cards.

The development of smartphones in Indonesia has also grown rapidly. from a smartphone, all human activities can be carried out more easily. Therefore, smartphones are useful and important for daily needs for the Indonesian people.

Internal Data Corporation (IDC) announced 5 smartphone brands based on market share in Indonesia. In figure 1.2 the Internal Data Corporation (IDC) reveals that the smartphone market share by brand in 2017 and 2018 in Indonesia is Samsung as much as 32% and 27%, second place is Xiaomi at 3% and 25%, third place is Oppo as much as 24 % and 18%, Vivo is in fourth place at 3% and 9%, Advan is in fifth place at 9% and 6%, and is followed by various other smartphone brands with 29% and 15%. From this data, it can be seen that the smartphone brand's market share significantly increased from 2017-2018 is the Xiaomi smartphone brand. This proves that Xiaomi is a smartphone company in Indonesia. China, which is growing rapidly in the world for one reason, has achieved the highest sales success in Indonesia with increasing sales in Indonesia.

Figure 1: Competition of Smartphone in Indonesia (Teknologi.id)

Seeing the order of the Xiaomi smartphone to be ranked second proves that Xiaomi has not been able to beat its competitors, namely Samsung smartphones. By therefore Xiaomi always innovates by only paying for the process of research and production, so that Xiaomi smartphone products are sold at a competitive price.

With this competitive price, the CEO of Xiaomi, namely Lei Jun stated that Indonesian consumers are mainly Mi-Fans (product enthusiasts smartphone Xiaomi) no longer worry about the price because consumers are already sure it is the cheapest price for the best quality. This proves that consumers in buying Indonesian smartphones do not doubt the price and product quality of Xiaomi smartphones. Xiaomi also has a good sales strategy, namely sales online with the flash sale method at certain hours at well-known e-Commerce in Indonesia is like Lazada (Pradana & Novitasari, 2016). Of course, this is to be more points for consumers from Xiaomi, because consumers are easier and save more to get a Xiaomi smartphone. Based on the background of the problems previously described, the author wants to know how far the price and quality of products Xiaomi smartphone users can affect consumer loyalty in Bandung, Indonesia.

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2. LITERATURE REVIEW

Marketing objectives are what the company will achieve through marketing activities. If customer satisfaction and needs are met, it will have an impact on the sales results of the product increase and in the end, the marketing objectives will be achieved, namely gaining a profit or profit. According to Gilang et al. (2019), the definition of consumer behavior is the dynamics of the interaction between influence and awareness, behavior, and the environment in which humans exchange aspects of life.

According to Hawkins (2013: 18) "Customer behavior is the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the customer and society ". The definition explains that. Customer behavior is the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impact that these processes have on customers and society.

The factors that determine behavior are as follows (Kotler & Keller, 2016):

a. Culture has a fundamental influence that determines a person's desires and behavior.

b. Social, apart from cultural factors, our buying behavior is also influenced by social factors such as group, family, and social roles.

c. Personal characteristics, purchasing decisions are also influenced by personal characteristics. These characteristics include age and stage in the life cycle, occupation and economic circumstances, personality and self-concept, lifestyle, and personal values.

The marketing mix is a marketer of tools companies use to catch up with marketing objectives. Meanwhile, according to Kotler and Armstrong (2012: 92) "Marketing mix is good marketing tool is a set of products, pricing, promotion, distribution, combined to produce the desired response of the target market." Thus, it can be concluded that a marketing mix is a tool that companies can run in meeting consumer demand for their products and the elements in the marketing mix will determine

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the level of success. Marketing and companies as well as all that is done by the company to provide satisfaction to consumers.

The meaning of 4P according to Kotler and Armstrong (2016: 62) is as follows:

1) Products: is managing product elements including planning and developing the right product or service to be marketed by changing existing products or services by adding and taking other actions that affect a variety of products or services.

2) Price: is a company management system that will determine the correct base price for a product or service and must determine a strategy concerning price discounts, payment of freight costs, and various related variables.

3) Distribution: which is selecting and managing trade channels used to distribute products or services and also to serve target markets, as well as developing a distribution system for physical product shippers and commerce.

4) Promotion is something that is used to inform and persuade the market about new products or services to the company through advertisements, personal sales, sales promotions, or publications. In service marketing, other elements can be controlled and coordinated for communication purposes and satisfying service consumers.

3. RESEARCH METHODOLOGY

The type of research used by this research is a type of quantitative research with a descriptive approach which states that quantitative research is based on positivism, is used to examine a specific population or sample, data collected using research instruments, and data analysis statistical in nature and aims to test the hypothesis that has been set (Sugiyono, 2013). And according to Wiratna Sujarweni (2015) quantitative research is the type of research in which the findings can be obtained using statistical or measurement procedures.

This study uses the multiple linear regression analysis methods because the independent variable (independent variable) consists of 2 variables, namely Price (X1) and Product Quality (X2). While the dependent variable (dependent variable) is consumer loyalty (Y). We spread the questionnaire to 120 respondents who have purchased the smartphone.

Variable operations are a process carried out to reduce the abstractness of the concept of variables so that these variables can be measured in a tangible form (Sekaran & Bougie, 2015). The dimensions, indicators, and scale of the variables involved in the study are determined by the operational variables so that testing can be carried out correctly.

Indrawan and Yuniawati (2015) define the research variable as each observed symptom and is the focus of a study. In this study, there are 3 variables, namely, Price (Price affordability, Price suitability with product quality, Power, price competitiveness) (X1) and Product Quality (Shape, Features, Quality of performance, Quality of conformity, Adjustment, Durability, Reliability, Ease of repair, Ease of repair, Style, Custom) (X2) as the independent variable and Consumer Loyalty (Y) as the related variable. These variables can be described through the variable operations as follows:

1) The independent variable (Independent Variable). Independent variables or independent variables are variables that affect or cause changes or the emergence of the dependent variable (Sugiyono, 2014). In this study, there are two independent variables, namely Price (affordability, price compatibility with product quality, price competitiveness) (X1) and product quality (shape, features, quality of performance, quality of conformity, adjustment, Durability, Reliability, Ease of repair, Ease of repair, Style, Custom) (X2)

2) The dependent variable (Dependent Variable). The dependent variable is the variable that is influenced or becomes the result, because of the independent variable (Sugiyono, 2013). In this study, there is a dependent variable, namely Consumer Loyalty (Y).

The hypothesis of this research are:

H0: There is no significant effect of price on loyalty.

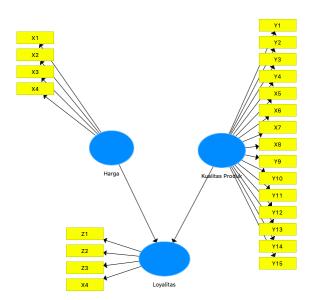*H1:There is a significant effect of price on loyalty.*

The data analysis with path analysis is carried out by using SmartPLS software. The path visualization can be seen from Figure 2 below:

Figure 2: Path Visualization

4. RESULT AND DISCUSSION

This study aims to examine the effect of price, product quality, and loyalty of Xiaomi mobile phone consumers. The data is processed using structural equation modeling with the alternative method of partial least square.

In structural equation modeling, there are two types of models that are formed, namely models measurements and structural models. The measurement model describes the proportion of the variance of each manifest variable (indicator) that can be explained in the latent variable. After the measurement model for each latent variable is described further the model will be described by 80.4% of other factors.

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The structure will examine the effect of each independent latent variable (exogenous latent variable) on the dependent latent variable (endogenous latent variable). The measurement model is a model that connects latent variables with the manifest variable. In this study, there are 4 latent variables measured by 23 indicators.

Through the loading factor, the validity of each indicator can be seen as well as test the reliability of the constructs of the studied variables. Indicators are said to be valid if they have a factor weight is greater than 0.70.

From the picture, it can be seen that all items have a loading factor above 0.70 so all items are valid. More details can be seen in the following table.

Table 1: Loading Factors of Indicators

Variabel	Indicators	Loading factors	Verdict	Cronbach Alpha	AVE	Verdict
Price	HA1	**0,796**	Valid	0,624	0,927	Reliable
	HA2	**0,807**	Valid			
	HA3	**0,768**	Valid			
	HA4	**0,773**	Valid			
Product Quality	PS1	**0,810**	Valid	0,678	0,921	Reliable
	PS2	**0,821**	Valid			
	PS3	**0,865**	Valid			
	PS4	**0,883**	Valid			
	PS5	**0,862**	Valid			
	PS6	**0,896**	Valid			
	PS7	**0,568**	Valid			
	PS8	**0,741**	Valid			
	PS9	**0,810**	Valid			
	PS10	**0,815**	Valid			
	PS11	**0,895**	Valid			
	PS12	**0,883**	Valid			
	PS13	**0,708**	Valid			
	PS14	**0,773**	Valid			
Loyatly	LO1	**0,899**	Valid	0,768	0,952	Reliable
	LO2	**0,892**	Valid			
	LO3	**0,898**	Valid			
	LO4	**0,829**	Valid			

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a) Hypothesis testing 1

Based on the provisions that have been stated previously, where the t-count is obtained amounting to 1.604 and at a significance level of 5% (2 tailed) obtained t table 1.96, so that t count (1.604)> t-table (1.96). This means that H0 is rejected and H1 is accepted, so there is an influence significant price on loyalty. Judging from the path coefficient of 0.862. Coefficient the path is positive, meaning that there is a direct relationship between the price variable and the loyalty.

b) Hypothesis Testing 2

Based on the provisions that have been stated previously, where the t-count is obtained amounted to 20.136 and at a significance level of 5% (2 tailed) obtained t table 1.96, so that t count (20.136)> t-table (1.96). This means that H0 is rejected and H2 is accepted, so there is an influence of product quality on loyalty. Judging from the path coefficient of 0.837.

The path coefficient is positive, meaning that there is a unidirectional relationship between the variables of product quality towards loyalty (Pradana et al. 2020). The summary can be seen from the following table:

Table 2: Path Coefficient and Relationship Conclusion

Hypothesis	Relationship	Path Coefficient	p-value	T-stat	Verdict
H2	Price on loyalty	0,837	0,000	20,136	Valid and significant
H3	Product Quality on Loyalty	0,862	0,000	20,451	Valid and significant

5. CONCLUSION

Based on research conducted, the following conclusions can be drawn. Based on testing hypothesis 1, it can be concluded that there is a significant effect of price on loyalty among Xiaomi smartphone users. Based on hypothesis 2 testing, it can be concluded that there is a significant effect of product quality on loyalty among Xiaomi smartphone users. Based on the results of the

data analysis, the following suggestions can be made:

Based on the research results, the price variable is quite good. Therefore, so that prices are maintained in the affordable category so that Xiaomi's popularity is getting better in the eyes of consumers, thereby increasing loyalty.

The variable product quality is also quite good. Therefore, for the company to carry out quality control regularly so that Xiaomi is not inferior to its competitors' products. We also provide suggestions for further researchers to be put forward as follows: 1) The variables used in this research are price, product quality, and customer loyalty. It is recommended for further researchers to examine other factors that influence the choice of Xiaomi smartphones. This suggestion is proposed to obtain varied results. 2) Further suggestions related to the object of research, the next researcher should use a different scope. So that further research is expected to expand the object of research or conduct research at other companies.

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