

THE IMPACT OF PRICE AND PRODUCT QUALITY ON CUSTOMER LOYALTY

(A Study on Customers of Tempeh Chips Rohani in Purwantoro Village,
Blimbing District, Malang City)

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Abstract

The main objective of this study was to analyze how the price and quality of products influence customer loyalty within the customer base of Rohani tempe chips in the local community of Purwantoro Village, located in the Blimbing District of Malang City. In order to achieve this goal, an explanatory research approach was chosen to delve into the intricate connections between these variables and understand how they interact with each other. Primary data was gathered for this research by distributing Likert scale questionnaires to individuals who regularly purchase Rohani tempe chips. The sample size for the study was determined using Malhotra's formula, resulting in a total of 100 respondents participating in the survey. The outcomes of the study indicated that both the price and quality of the product had a significant influence on customer loyalty, whether considered together or individually.

Keywords: Price, Product Quality, Customer Loyalty

INTRODUCTION

Micro, small, and medium enterprises (MSMEs) are vital to the economy of a region or even a country due to their substantial impact and contribution. These enterprises drive economic growth, create jobs, and foster innovation, making them essential components of a thriving economy. MSMEs contribute 61% to the GDP and account for 97% of total national employment. Based on this data, a region or even Indonesia as a whole has a strong national economic base if MSMEs are effectively empowered. The development of MSMEs will expand the economic base and contribute significantly to accelerating structural improvements, such as enhancing regional economies and national economic resilience (Kurniawan, 2011).

Until today, MSMEs in Indonesia have experienced significant growth in quantity, which is a positive development for the country's economy. Here is data on the development

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of MSMEs in Indonesia from 2015 to 2019, according to the Ministry of Cooperatives and SMEs.

The number of MSMEs in Indonesia has been consistently rising each year. In 2019, the country recorded nearly 65.5 million micro, small, and medium enterprises (MSMEs), reflecting a 1.98% increase from 2018, which had 64.2 million units. Specifically, in 2019, there were 64.6 million micro enterprises, 798,700 small enterprises, and 65,500 medium enterprises. This number represents 99.99% of all business units in Indonesia, while large enterprises account for only 0.01% of the total. MSMEs also employed 119.6 million people, or 96.92% of Indonesia's total workforce, marking a 2.21% increase from the previous year, which had 116.9 million workers. These figures underscore the significant role of MSMEs in the national economy.

The government has established definitions and criteria for MSMEs, as outlined in Law No. 20 of 2008. Additionally, the Central Statistics Agency (BPS) provides its own definition of MSMEs based on the number of employees, while Law 20/2008 defines MSMEs based on net worth and annual sales.

In Malang City, MSMEs are an integral part of the local economy. This is evident from the presence of various industrial areas in Malang, including the tempe chips cluster located in Kelurahan Purwantoro, Blimbing District. The industry is part of Malang's three main development goals: education, industry, and tourism (Dinkominfo Pemkot Malang, 2011). Data also indicates that East Java ranks third among Indonesian provinces with the highest number of MSMEs, and Malang City is a significant contributor to the number of MSMEs in East Java.

Malang City is renowned for its diverse and enticing culinary tourism. One of the popular local delicacies is tempe chips. Kampung Salak in Malang is well-known as a center for tempe production. Among the prominent producers is Keripik Tempe Rohani, a leading name in the tempe chip industry. Established in 1988 by the husband-and-wife duo Mr. M. Rohani and Mrs. Lilik Suprapti, Keripik Tempe Rohani is considered a pioneer in the tempe chip market in Malang (Ulfah, 2023). In comparison, Malang Jaya tempe chips, produced since 2000, and Pak Tohir tempe chips, produced since 1998, are also notable players in the industry (Ferdi, 2023; Haldi, 2017).

Keripik Tempe Rohani has achieved broad recognition in its marketing efforts. In addition to its store in Kampung Tempe Salak, the brand has expanded its reach to resellers across Malang Raya and even to cities outside Malang such as Surabaya, Jakarta, Denpasar,

Jember, and Probolinggo. The brand's presence extends beyond physical stores, with products available on various e-commerce platforms and online sales channels, receiving positive feedback. Furthermore, Keripik Tempe Rohani has successfully ventured into international markets, including Hong Kong, Taiwan, and the United States (Ulfah, 2023). Currently, the brand offers 18 different variants of tempe chips, with the most popular flavors being original, spicy sweet soy, spicy frozen, cheese, and spicy.

In a business organization, whether large or small, there are specific goals and desires that need to be achieved. These goals can include profit, increased sales, improved product quality, business expansion and growth, consumer satisfaction, or customer loyalty. Profit serves as the backbone of a business, as it is used to cover operational expenses and to develop the business further. Logically, the level of profit is closely linked to various factors, such as customer loyalty to a product or service. When customer loyalty is established towards a product or service, customers are more likely to return and continue consuming the product.

One crucial aspect of business is pricing. Pricing is increasingly important because the price set by SMEs or companies affects the demand for different products. In some cases, demand and price are inversely related: as the price increases, demand often decreases, and vice versa. Therefore, setting the right price involves considering several aspects, such as value, margin, and promotion. Additionally, pricing plays a crucial role in determining the amount of money required to attain a specific combination of products and services.

Stated by Kotler & Armstrong (2010), Price represents the amount of money exchanged for a product or service, or the value or benefit derived from its ownership and use. As such, price plays a critical role in shaping customer loyalty, serving as a pivotal factor in customer satisfaction and influencing the likelihood of repeat purchases. Additionally, pricing is an integral part of the transaction process between the seller and the buyer of a product or service.

The price of Keripik Tempe Rohani is relatively lower compared to other tempeh chips brands. For example, Keripik Tempe Rohani is priced at Rp23,000 for 180 grams, whereas Malang Jaya tempeh chips are sold for Rp19,500 for 250 grams. Additionally, compared to Soponyono tempeh chips in Malang, which are priced at Rp26,000, Keripik Tempe Rohani is also cheaper.

Next is product quality. Kotler & Armstrong (2010) stated that product quality refers to the complete set of features and attributes of a product or service that defines its capacity

to fulfill both explicit and implicit requirements. As such, quality is a vital aspect of a product, as it is directly linked to customer satisfaction. Beyond affecting customer satisfaction, product quality can also enhance consumer interest in purchasing the product. “Product quality is necessary for the company because even if the product is quickly made, if its quality is not up to standard or if it is prone to damage, it will not create customer loyalty” (Rikha, 2010). Therefore, product quality is essential in improving a product, meaning that a product can be considered good if customers do not complain or express dissatisfaction after purchase.

“Quality is the overall characteristics and attributes of a product or service that depend on its ability to meet customer expectations” (Kotler et al., 2008). Quality is achieved when a company can deliver a product that meets or exceeds customer expectations. A company that maintains high quality can build strong relationships with customers. This relationship is established throughout the customer’s experience of purchasing the product and understanding their needs. Such an approach provides a positive benefit for the company.

Product quality refers to the overall characteristics of a product that meet customer needs as expected. When a company offers a product of high quality, it contributes to customer satisfaction. A customer feels satisfied when the product they purchase meets or exceeds their expectations. Quality is key to customer satisfaction and loyalty, as it measures how well a product meets or exceeds customer expectations.

The MSME Keripik Tempe Rohani has faced challenges in maintaining high product quality. Observations and preliminary research at one of its selling agents revealed defects in some products. Issues identified include products being crushed in packaging and oily wrappers, which diminish the product's quality. Additionally, some products have lost their crispiness or have unclear causes of degradation. These problems must be addressed as product quality is critical in determining whether customers will return to purchase again.

The main objective of this study was to analyze how the price and quality of products influence customer loyalty within the customer base of Rohani tempe chips in the local community of Purwantoro Village, located in the Blimbing District of Malang City.

Literature Review

Price

According to Kotler et al. (2014), price is a critical element in marketing that influences consumer purchasing decisions. It is a fundamental marketing component that is flexible and can change over time and place. Kotler (2010) further define price as the amount of value

that consumers pay to gain benefits from a product or service. In the context of purchasing, price is closely scrutinized when consumers make decisions about specific products, and it often serves as a key determinant in their buying decisions.

Product Quality

Kotler & Armstrong (2010) explain that product quality refers to a product's ability to maintain its functionality, encompassing aspects such as durability, reliability, precision, ease of use, and product repairability. Product quality also involves other attributes that support performance and consumer satisfaction with the product.

Customer Loyalty

Kotler et al. (2015) stated that customer loyalty is the dedication a consumer shows by consistently choosing or endorsing a specific product or brand over time, even in the face of circumstances or marketing efforts that might encourage them to switch to alternative options.

1. Relationship Between Price and Customer Loyalty

"Price can have an impact on customer loyalty, which leads to consumer patterns that reflect consumer behavior in making purchases. Price shows the way a consumer or person can benefit from owning or using a product or service." Price can affect customer loyalty, which in turn influences consumer patterns reflecting consumer behavior in making purchases. Price reflects the value or benefit that a consumer can derive from possessing or utilizing a product or service (Kotler & Armstrong 2010).

2. Relationship Between Product Quality and Customer Loyalty

Product quality influences customer loyalty. It encompasses all the features and characteristics of a product or service that determine its capacity to meet stated or implied needs (Kotler & Keller, 2017). Product quality affects customer loyalty significantly. It encompasses the overall attributes and characteristics of a product or service that impact its ability to meet both expressed and implicit needs.

Hypotheses:

H1: Price influences customer loyalty for MSME tempe chips in Purwantoro Village, Blimbing District, Malang City.

H2: Product quality impacts customer loyalty for MSME tempe chips in Purwantoro Village, Blimbing District, Malang City.

H3: Both price and product quality have a combined effect on customer loyalty for MSME tempe chips in Purwantoro Village, Blimbing District, Malang City.

RESEARCH METHODS

Type of Research

This research is explanatory in nature with a qualitative approach using data obtained through the distribution of questionnaires or surveys. According to Singarimbun & Efendi (2008), explanatory research is conducted to test hypotheses from previous studies. According to Indrianto & Supomo (2014), this research is a type of correlational research, characterized by examining the relationships between two or more variables.

Population and Sample

The study focuses on the customer base of Keripik Tempe Rohani as its population. For the sample, 100 respondents were selected to participate in the study. For determining the sample size, the researcher uses the Malhotra (2006) technique, which suggests that the sample size should be at least five times the number of questionnaire items. There are 20 questionnaire items, so the sample size is 20 items multiplied by 5, resulting in 100 samples.

Research Location

The research location is at Purwantoro Village, Blimbing District, Malang City, East Java, specifically at the Keripik Tempe Rohani production center.

Data Collection Technique

Questionnaire used in this research as data collection technique. According to Arikunto (2010), a questionnaire consists of a series of written questions intended to collect information from respondents about themselves or their understanding of a topic.

Validity Test

According to Arikunto (2010), validity is a measure that shows the accuracy of an instrument. Sugiyono (2016) adds that a validity test is done to assess the accuracy of the questionnaire instrument used for collecting data, ensuring that it accurately assesses what it is designed to assess.

Reliability Test

According to Arikunto (2010), reliability is used to measure the consistency of a measurement tool in its use, provided that the tool produces consistent results if used multiple times at different times. The testing technique uses Cronbach's alpha, where the instrument is considered reliable if the reliability coefficient (alpha) is 0.6 or greater.

Normality Test

The normality test is conducted to assess whether the data in the regression model, for both dependent and independent variables, follows a normal distribution. Ideally, the model should have data that is either normally distributed or close to normal.

Descriptive Statistical Analysis

Descriptive statistics are methods for explaining the value of a variable in detail within sample and population data (Sugiyono 2016).

Multiple Linear Regression Analysis

The data analysis method employed in this research is multiple linear regression analysis. This technique is used to assess the impact of price and product quality on customer loyalty.

Simultaneous F Test

According to Ghozali (2017), the F test is used to evaluate whether all independent variables, taken together, have a simultaneous impact on the dependent variable.

Partial T Test

The partial test (t-test) assesses whether each independent variable affects the dependent variable individually. This involves comparing the calculated t-value with the t-table value and checking the significance level (Ghozali 2017).

RESULTS AND DISCUSSION

Validity Test

Table 1. Validity Test X1 (Price)

Indicator	r-value	r-table	Description
X1.1	0.593	0.257	Valid
X.2	0.550	0.257	Valid
X1.3	0.670	0.257	Valid
X1.4	0.625	0.257	Valid
X1.5	0.576	0.257	Valid

Source: Processed data, 2024

Table 2. Validity Test X2 (Product Quality)

Indicator	r-value	r-table	Description
X2.1	0.562	0.257	Valid
X2.2	0.555	0.257	Valid
X2.3	0.544	0.257	Valid
X2.4	0.679	0.257	Valid
X2.5	0.590	0.257	Valid

Source: Processed data, 2024

Table 3. Validity Test Y (Customer Loyalty)

Indicator	r-value	r-table	Description
Y1.1	0.567	0.257	Valid
Y1.2	0.669	0.257	Valid
Y1.3	0.657	0.257	Valid
Y1.4	0.634	0.257	Valid
Y1.5	0.728	0.257	Valid

Source: Processed data, 2024

Reliability Test

Table 4. Reliability Test Result

Variable	R Cronbach's Alpha	Ket
Price	0,757	Reliable
Product Quality	0,717	Reliable

Source: Processed data, 2024

The results of the reliability analysis, as shown in Table 5, indicate that the price variable (X1) has a Cronbach's Alpha value of 0.757, which exceeds the threshold value. This suggests that the price variable is considered reliable.

Normality Test

Table 5. Kolmogorof-Smirnov Result

		Unstandardized Residual
N	Mean	100
Normal Parameter (a.b)	Std. Deviation	.0000000
Most Ekstreame	Absolut	.34647654.052
Differences	Positive	.052
Test Statistic	Negative	-.048
Asyms.Sig. (2-tailed) ^c		.052 .200 ^d

Source: Output SPSS

The normality test results reveal a Kolmogorov-Smirnov Asymp. Sig. (2-tailed) value of 0.200, which is greater than 0.05. This suggests that the data gathered from the population exhibit a normal distribution.

Multiple Linear Regression Analysis

- a. The constant in the customer loyalty equation is 0.451, indicating that if both the price and product quality variables are zero, the value of customer loyalty (Y) would be 0.451.
- b. The regression coefficient for X1 (price) is 0.361, which means that a one-unit increase in price (X1) will lead to a 0.361-unit increase in customer loyalty (Y), provided that all other independent variables remain unchanged.

- c. The regression coefficient for X2 (product quality) is 0.517. This means that if the product quality (X2) increases by one unit, customer loyalty (Y) will increase by 0.517 units, assuming all other independent variables remain constant.

Simultaneous Test (F)

- a. The F_{value} is $24.395 > F_{\text{table}}$ ($df1: 3 - 1 = 2$, $df2: 100 - 3 = 97$, 5%) of 3.09.
- b. The sig. value is 0.000, which is less than 0.05. Therefore, simultaneously, the price (X1) and product quality (X2) variables have a positive and significant effect on the customer loyalty variable (Y).

Partial Test (T)

The significance value for price (X1) is $0.004 < 0.05$, and the t_{value} (2.929) $> t_{\text{table}}$ value (1.985). This means that price (X1) significantly and positively influences customer loyalty (Y). The significance value for product quality (X2) < 0.05 , and the t_{value} (4.565) $> t_{\text{table}}$ value (1.985). This means that product quality (X2) has a positive and significant effect on customer loyalty (Y).

CONCLUSION

The research concludes that price significantly impacts customer loyalty, as shown by the respondents' answers. Therefore, it is crucial for the owners or managers of Keripik Tempe Rohani to ensure that product prices remain affordable and stable. Additionally, product quality is also a key factor affecting customer loyalty. The data suggests that maintaining high product quality is essential for sustaining customer loyalty.

The partial t-test reveals that price (X1) significantly affects customer loyalty, with a t_{value} of 2.929, exceeding the t_{table} value of 1.985, and a significance level of 0.004, which is below 0.05. This supports the rejection of the null hypothesis (H_0) and acceptance of the alternative hypothesis (H_a). The simultaneous F-test further confirms that both price and product quality have a substantial impact on customer loyalty, as the F_{value} of 24.395 is higher than the F_{table} value of 3.09, with a significance level of 0.000, also below 0.05. This results in rejecting the null hypothesis and accepting the alternative hypothesis.

For the owners of Keripik Tempe Rohani, it is important to address feedback from respondents who expressed dissatisfaction with the quality and texture of the product. Such input should be used to enhance and improve product quality. Additionally, even though a small percentage of respondents are not yet loyal, this issue should be tackled to strengthen customer loyalty. Future researchers can use these findings as a basis to explore additional

factors affecting business success and customer loyalty. Any errors in this study should be corrected to improve future research quality and accuracy.

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