THE EFFECT OF RELATIONSHIP QUALITY ON COSTUMER LOYALTY BY MODERATED PRICE PERCEPTION: A CASE IN PT HENDRIKA WIRA SARANA

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Abstract

This study investigates the effect of relationship quality on customer loyalty moderated by price perception. The objects of this study were the customers of business to business PT Hendrika Wira Sarana. The purpose of this study was to determine the effect of relationship quality on consumer loyalty and the effect of price perception on realtionship quality and customer loyalty of PT Hendrika Wira Sarana. Method of data analysis used multiple regression linear. The result of this study showed that there was relationship quality on customer loyalty of HWS in selling receipt paper, so through the relation of relatonship quality makes the customers of HWS become loyal to product of company especially receipt paper. Next result showed that there was the effect of customer price perception on the relation of relationship quality and customer loyalty but that effect was weaken, so we can say that there was negative effect of price perception on those two variables.

Key words: Relatioship Quality, Price Paper Roll, Loyalty, Business Market.

INTRODUCTION

The development of retail business has already become global business and Indonesia could not attend from the rush of foreign retailers. With its economic, management, and network power, giant modern retail went into Indonesia. Then a significant change in the business map happened in these five years because of the rise of fall of retail business. The rush of modern retail in Indonesia was not only happened this time, every decade appeared new format of modern retail that replaced the traditional ones. In early 1980, big supermarkets started to invade Jakarta, so traditional markets such as Cikini market, Santa market and others similar market that served upper middle class population in the centre of Jakarta started to lose prestige. Vigorously deployment of supermarket happened in 1990 narrowed the space of market and traditional retails.

At that time in various neighbourhoods in Jabodetabek and other cities in Java Island, supermarket started to spread. In the middle of 1990, supermarket got new rivals from hyper mart with the appearance of macro (well known as Lotte Mart nowadays). The format of modern market that offered by Lotte Mart was different with supermarket particularly from extensive and products that offered, while from the terms of service, format of hyper mart was different with supermarket because the serve of Lotte Mart was made as minimum as possible to chase the lower price. Along with it began to develop supermarket in small scale, it was the

format of minimarket which is able to compete with supermarket. These two formats of modern market had strong networks, so minimarket could offer the price that can compete with supermarket and with similar comfortable, in fact the location of minimarket could be closer to location of costumers.

The development of retail and restaurant business also brought big effect to the development of receipt paper. The usage of receipt paper as the proof of purchasing nowadays is easy to be found, either in supermarket, minimarket, big stores, or ATM. For consumers, receipt paper is complementary product that is sometimes forgotten, but for the stores, receipt paper is really important, in addition to proof the payment but also used to make the company easier to record every transaction.

Nowadays there were a lot of companies that were venturing into the business of making paper roll, considering there was the segment of market that is still open and still very compromising. The more increase of rivals in manufacture industry of receipt paper, the less segment of market. PT Hendrika Wira Sarana (HWS) since 1990 as the receipt paper manufacture industry can not be separated from the rivalry of receipt paper manufacture industry. Price rivalry that is more competitive, the rival company dares to offer the cheaper price than the market price.

Considering the consumers of receipt paper was business companies, the purchasing was usually in the big scale and in the routine intensity of purchase, made the consumers become loyal to the product of company. But because of the long relationship with the consumers, HWS has forgotten that there was the rivals came into receipt paper business. The decrease of loyal consumers happened nowadays. The good relationship has to be kept well by HWS even though the consumers have long subscribed the product of HWS.

However illustration above was the background of purchasing; consumers were not separated from the characteristic of product either about appearance, style, quality and price of that product. The decision of price by the seller will be effected to purchasing attitude of the consumers because achievable price tends to make consumers do the purchasing. The characteristics of the seller will be affected to the decision of the consumers. In this case, the consumers will judge the seller, either about the service, the easy to get product and the kindly attitude of the seller.

LITERATURE REVIEW

Price Perception

The definition of price according to Kotler and Armstrong (2006) is "the value that the firm will be charging for the product or the value that the costumers will be charging to get benefit of own or use the product". While according to Dinawan (2010), price from the marketing point of view is monetary or other standards (including other products and services) that are not redeemed to get own or usage right of a product or service. Based on definition above, we can conclude that price is a thing that should be paid by consumers to enjoy posses and use the function of that product or service.

Therefore price should be appropriate with consumer's perception of a product. Higher price assumed higher quality of that product. If the price is low,

so there should be another point to make the consumers want to buy that product. According to Tjiptono (2001), price has two main roles in deciding of purchasing, they are: Allocation role of price Is the function of price in helping the client to decide the way to get the expected high benefits. Eventually, price could help client to decide the way to allocate purchasing power on various product and service. Consumers compare the production service with several available alternatives, and then decide fund allocation that they want. Information role of price Is the function of price in teaching consumers about the factors of product, such as quality.

Relationship Quality

Relationship quality was very relevant to be discussed in marketing. Considering the exclusion and interaction between consumers and producers were so high in the most business part, the approach marketing that is oriented in transactional marketing with its highest target was sales in the short term became less support on business practice. Relationship quality emphasized the recruitment and maintence of costumers through the raising of relation between company and its costumers. So, in relationship quality, attracting new costumers was just the first step of marketing process (Pi and Huang, 2011)

Beside that, defending costumers was cheaper than attracting new costumers for the company. This definition gave new points of view There was a change in company's point of view of seeing the relationship with consumers. The emphasize that was out of focus on transaction became the long-term relationship with costumers. (emphasize and build the relation with costumers). There was acknowledgement that quality, costumer service and marketing activities should be run together. Relationship marketing focused on scouting those three elements and making sure that there was potential synergistic combination between those elements.

Costumer Loyalty

Loyalty defined as commitment to purchase or subscribe again a product or service in the future although there was effect of marketing situation and effort that potential to causes the change of attitude (Kotler dan Keller, 2009). Loyalty as the condition where the costumer have positive attitude on a brand, have commitment on that brand and mean to continue purchasing in the future. Costumer loyalty can be divided into brand loyalty and store loyalty.

Needed more effort to persuade costumers to move to their current supplier. Company lose about 10% from its costumers every year. The declension 5% from costumer's declension level can increase profit from 25% until 85%, depends on its industry. Profit level of costumers tends to increase during their lives. There were 2 ways to strengthen costumer's retention. Firstly with build the high restriction.

Costumers tend to averse to move to other companies if it involved high financial capital, high research fund, losing discount, etc. The better approach with giving high satisfies to costumers. It complicated the rival to deconstruct the restriction with just offer the lower price or other acts to move (Kotler, 2013).

From the explanation above, we can conclude that costumer loyalty was the costumers who doing repurchase continuously of a product or service. In this research we used Griffin's theory as our reference in costumer loyalty variable because appropriate with our research. According to Griffin (2005) the profit that profit will be gained by the company with having loyalty costumers were decrease marketing cost (cost to attract new costumers were more expensive), decrease transaction cost (such as negotiation contract cost, offering process), decrease costumer turn over cost (because of less costumer turn over), increase cross selling that will increase market segment of the company, positive word of mouth with the assumption that loyal consumers means they are satisfied, and decrease failure cost (such as turn over cost, etc)

Business Market

Business market means all of the organizations which get product and service to product of other products and services to be sold, rented, or stocked to other side such as agriculture, forestry, fishery, mining, Manufacture Company, construction, transportation, communication, public facilities, banking, finance, insurance, distribution, and services. The characteristics of business market are less costumers with more purchasing, close relationship between supplier and costumer, geographically concentrated costumer, inelastic demand, not too much influenced by price changes, fluctuating demand, tend to be more frequent and faster change, professional purchasing, purchase business involved the purchase of more professional venture, direct purchase, multiple sales calls.

Business buyer behaviour defined as the buying behaviour of organizations bought product or service which used to produce other products and services or to resell or rent it to get profits.

Business buyer behaviour refers to organization purchasing behaviour that bought product and service to be used to produce other products and or services to sell, rent or stock to other side. Business buyer behaviour also includes the behaviour of retailer and wholesale companies which got the product to resell or rent it to get profits.

Purchasing situation of business buyer behaviour made three kinds of situations. Straight rebuy where the buyer continuously book product without modification. Modified rebuy where buyer wants to modify specification, product, price, condition, or stock. New stock where buyer buy a product or service for the first time.

HYPOTHESIS DEVELOPMENT

This research explained mediated relationship of a variable, can be seen in research model below:

Hypothesis in this research can be seen as:
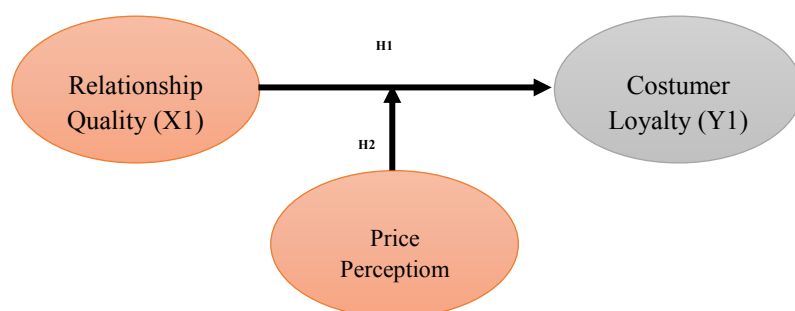
The relationship between relationship quality and costumer loyalty variables, in the previous research by Paul and Byun (2007) that relationship relation quality with costumers was a system that

can be mediator in defending individual loyalty. And then strengthen by Craig Conway in Paul and Byun (2007) that explain relationship relation quality between company and costumer was an ability to recognize process of costumer behaviour that created loyalty and to manage it activEly. Based on the things above, and then can be filed hypothesis, H1 : there was the effect of relationship quality on costumer loyalty.

The relation between price perception and costumer loyalty variables, the price offered can be compared with experiences and hopes of consumers, so the price offered can be accepted or at least appropriate with quality products offered, price perception for costumers was a factor that has positive effect on consumer loyalty to company although there was many other factors that effect consumer loyalty. But to build a hypothesis, of theoretical and logical framework, if the price perception is good, so the costumers might be back to us that company's service. If the price perception was good by the costumers, it will give positive effect to increase loyalty. Based on the things above, then can be filed hypothesis, H2 : there was positive effect of price perception on relationship relation quality and costumer loyalty.

MEASUREMENT

Operasionalization of those indicators was reflected in the 22 service quality questions. The research appropriated on research context, so all of the questions were used in this research.

Definition of relationship quality variable refers to indicators by Syah (2014). There are three indicators of relational relationship quality, they are

Trust, Commitment, and Satisfaction. Based on the research of Syah (2014), they are 11 questions to measure relationship quality, appropriated with the research context, there were some irrelevant questions because inappropriate with the research, so chosen operationalization of those indicators in six relationship quality questions. Operational definition of costumer loyalty refers to indicators from Kottler. There were three indicators, they are Repeat Patronage , Switching Behaviour, and Recommendation. Based on the research of Syah (2014) there were eight questions to measure costumer loyalty.

RESEARCH METHOD

The population of this research was the costumer of PT Hendrika Wira Sarana business to business as much 380 costumers. The determination of population used reference that developed by the specialists one of them was Hair, et al. minimum sample is 30, so there were sample 90 costumers of business to business PT Hendrika Wira Sarana.

Data analysis technique that is used in this research was using multiple linear regressions to find the effect of variable value that usually variable x and y showed symbol from a data where y as dependent variable and x as free variable. This research also used data quality analysis, it was analysis factor to validation test and reliability test.

RESULT OF RESEARCH

In this research, there were 2 tested hypotheses, and based on result of the test, we can conclude that all hypotheses can be accepted.

The test used to test the effect of independent variable (relationship quality and price perception) on dependent variable of costumer loyalty individually. Can be seen from the table above, on relationship quality (X1) has significant value 0,000 mean < 0,05 (smaller than 0,05) so H1 accepted. The conclusion is price perception variable (X1) individually has effect on costumer loyalty of HWS. Significant value of moderation variable of price perception (X2) has significant value 0,002 mean <0,05 (under 0,05) so H2 accepted. Moderation variable of price perception (X2) individually has significant effect on price perception and costumer loyalty of HWS but it was negative effect or weakens.

Test F used to recognize if model that is used in regression analysis was correct or not, and to test the effect of independent variable (relationship quality and price perception) on dependent variable of costumer loyalty. Based on ANOVA test or test F on the table above obtained value of significant level 0,000. Because significant value < 0.05 was 0,000 so regression models can be used to predict Costumer Loyalty (Y) of HWS. In other words that relationship quality variable (X1), and moderation variable of price perception (X2) has effect on Costumer Loyalty (Y).

CONCLUSION

This research analyze the effect of relationship quality on costumer loyalty that moderated by price perception, objective the study was receipt paper costumer of PT Hendrika Wira Sarana so research can be said as business to business research. This research was done with multiple linear regression method analysis used data analysis tool. The result of this research showed that there was relationship quality on costumer loyalty of HWS in selling receipt paper, so with the relation of active relationship quality made HWS costumer became loyal on company product especially receipt paper. Next research showed the effect of costumer price perception on relation of relationship quality was the weaken effect, so can be said that there was negative effect of price perception on both variables relation.

MANAGERIAL IMPLICATION

The findings of this study are useful for PT Hendrika Wira Sarana relationship quality in developing strategies to increase customer loyalty existing business. These results indicate that there is a positive influence on the relationship quality to loyalty, and there is a moderating influence on the price perception of the relationship relationship quality to loyalty. Based on the research that the relationship quality positive effect on loyalty, managerial implications for PT Hendrika Wira Sarana is developing a (Customer Relationship Management) CRM strategy and alliance strategy to improve relationship to customers, thereby increasing customer loyalty and obtain new customers.

DISCUSSION

Based on analysis above, the result is the effect of relationship quality on costumer loyalty, the result proves that H1 accepted , so there was the effect of relationship quality on costumer loyalty in purchasing product of HWS. It can be seen by product significant value 0,000 mean < 0,05 (smaller than 0,05). Result of the research appropriate with the expected hypothesis and Craig Conway's research

in Paul and Byun (2007: 6) explains that relational relationship quality between company and costumer was an ability to recognize the process of costumer behaviour that create loyalty and to process it actively.

The effect of relationship quality on costumer loyalty moderated by price perception, the result proved that H2 accepted, so moderation of price perception effect on relational relationship quality and costumer loyalty. It showed by significant value 0,002 means < 0,05 (smaller than 0,05). But the effect of moderation significant weakens the relation between relationship quality and costumer loyalty variable of costumer can be seen on constant value -0,186. Based on Craig Conway's research in Paul and Byun (2007) explained that relational relationship quality between company and costumer was an ability to recognize the process of costumer behaviour that create loyalty and to process it actively. So low price was not always assurance that costumer will be loyal to the company, but relational relationship is the important thing in product marketing activity.

Based on the analysis of this research, there are some suggestion, they are this research focused on business to business context enable to further analysis can be used in business to consumer context.

This research can be used by PT Hendrika Wira Sarana as reference in making company marketing strategy. This research still has weakness of the number of sample and analysis unit, so further research is enabling.

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