

The Influence of Promotion And Price Policy on Consumer Loyalty Through the Perception Of Trust as a Mediation Variables in Pt. Buena Persada Mining Services

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ABSTRACT: This study aims to determine the effect of promotion and price policy on consumer loyalty through the perception of trust as a mediating variable. This study uses an explanatory analysis approach, meaning that each variable presented in the hypothesis will be observed by testing the causal relationship of the independent variable to the dependent variable. The population in this study were customers of PT. Buena Persada Mining Services. While the sample used includes 50 company customers who make purchases. The results of promotional research have a significant effect on consumer loyalty. Price has a significant effect on consumer loyalty. Perception of trust has a significant effect on consumer loyalty. The promotion has a significant effect on perceived trust. The effect of promotion and price on consumer loyalty is directly smaller than the effect of promotion and price on consumer loyalty through perceived trust is greater than the direct effect. In this case, it can be said that the perception of trust is an intervening variable.

Keywords: promotion, price, consumer confidence perception, consumer loyalty

I. INTRODUCTION

Customer loyalty is a reliable measure to predict sales growth and consistent purchasing behavior (Griffin, 2005). Following are the characteristics of consumer loyalty by making regular purchases or repurchasing. Customers who have purchased a product or service twice or more. This group also purchases outside the product or service line (purchases between product lines). Buy all the goods or services that are offered and what they need. They buy regularly. The relationship with this customer type is strong and lasts a long time, and leaves them unaffected by competitors' products. This group also recommends products or services to others. Buy goods or services offered, and they need and make purchases regularly.

Besides, they encourage others to buy the company's goods or services. Indirectly, they have done marketing for the company and brought consumers to the company. This group also shows immunity from the attractiveness of similar products or services, or in other words, they are not easily influenced by the pull of competitors.

Consumer loyalty at PT. Buena Persada Mining Services, a company engaged in research, drilling, and distribution of mining products, also requires customer loyalty. Company consumers are other companies that need products that the company produces, such as minerals for energy generation, by-products, etc. Companies need to increase consumer loyalty so that the company's products can be used sustainably.

Company consumers who use the company's products from time to time show increasing results. This means that the level of company consumer loyalty increases. Companies need to maintain this by paying attention to the factors that impact the increase in loyalty. The level of customer loyalty from the company's service users can be seen from the satisfaction obtained after using the service. Of the 52 company service users, 38 companies stated that they were very satisfied with its services. The remaining 14 stated that they were satisfied, and the companies said they were not satisfied. This decision level is obtained from the satisfaction value of each work contract from the company that uses the company's services.

Factors that impact increasing loyalty are promotions, price policies, and perceptions of consumer confidence in using company products. Promotion is an important aspect of marketing activities because promotion can influence consumer behavior towards company products. Besides, promotion can be used as communication between producers to consumers. Promotion is also

a means of introducing the type, price, shape, color, and quality of the product.

According to McDaniel in Lamb (2006: 58), "Promotion of communication from marketers who inform, persuade, and remind potential buyers of a product to influence their opinion or get a response." The definition above emphasizes that promotional activities should not stop only at introducing products to consumers but must be continued to influence consumers to be happy and then buy their products. "Promotion can be held in a physical environment, which is usually done at certain events or special events held in a place such as exhibitions, bazaars, festivals, concerts, and the like. Usually, the sellers open a kind of "stand" or "booth" to display and offer products or services.

Another factor that has an impact on increasing loyalty is the price policy. According to Kotler (2009) the definition of price is an amount of money that is charged to a product or service. Price is the amount of value that consumers must pay to own or benefit from a product or service. According to Untoro (2010), the definition of price is the ability of a good or service, expressed in the form of money. According to Ramli (2013), the notion of price is the relative value possessed by a product. This value is not a definite indicator that shows the number of resources needed to produce a product. Price has a function as a measure of an item's value, distinguishing an item, determining the number of goods to be produced, and its distribution to consumers. According to Kotler and Armstrong (2012), the price can be defined narrowly as the amount of money billed for a product or service. Or it can be defined broadly as price as the amount of value that consumers exchange for the benefit of owning and using a product or service that allows a company to earn a fair profit by being paid for the customer value it creates.

Another factor that affects consumer loyalty is the perception of consumer confidence in the goods the company produces. Trustworthy consumers are willing to rely on service providers and are ready to take action for service providers. Trust has three aspects from the characteristics of service providers, namely ability, integrity, motivation. First of all, consumers will assess whether the provider is competent enough to carry out their obligations and serve consumers. Both consumers will judge whether the company has integrity, where consumers can trust its work. Finally, consumers believe that service providers have the motivation not to take actions that are not following consumer expectations.

II. LITERATUREREVIEW

Promotion

Promotion is an essential aspect of marketing activities because promotion can influence consumer behavior towards company products. Besides, promotion can be used as communication between producers to consumers. Promotion is also a means of introducing the type, price, shape, color, and quality of the product.

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Gitosudarmo (2008: 237) explains that: "Promotion is an activity aimed at influencing consumers so that they can become familiar with the products offered by the company to them, and then they become happy and buy the product."

So in large part, promotional objectives can be divided into two, namely, long-term goals (for example: building a good name for the company, educating consumers, creating a high reputation for a product) and short-term goals (for example, increasing sales).

Promotion includes all company activities to introduce products and aims to enhance its image so that consumers are interested in buying it. There are generally four activities in this promotion, according to Gitosudarmo (2008: 237), namely:

1. Advertising
2. Personal selling
3. Sales promotion
4. Publicity and public relations

Price

Price is the value of money that consumers must pay to sellers for the goods or services they buy. In other words, price is the value of an item determined by the seller. Some say that the definition of price is the amount of money that is charged to consumers to get the benefits of a product (goods/services) purchased from a seller or producer.

The use of the term "price" is generally used to buy and sell a product, be it goods or services. The selling price is determined by the seller and takes advantage of that price, while the consumer gets what he needs by paying for the product at a specified price.

According to Kotler and Armstrong (2012), the notion of price is the amount of money charged to a product (goods or services) or the amount of value that consumers must pay to benefit from the product. According to Ramli (2013), the definition of price is the relative value possessed by a product. This value is not a definite indicator that shows the amount of resources needed to produce a product. From the explanation above, it can be concluded that the price has a function as a measure of the value of an item, how to distinguish an item, determine the number of goods to be produced, and its distribution to consumers.

Perceptions of Consumer Trust

Trust is a key variable for successful relationship marketing (Morgan and Hunt, 1994). This variable has a strong impact on the effectiveness and efficiency of relationship marketing. Trust is a condition that occurs when a partner believes in the reliability and honesty of his partner.

Trustworthy consumers are willing to rely on service providers and are willing to take action for service providers. Trust has three aspects from the characteristics of service providers, namely ability, integrity, motivation. First of all, consumers will assess whether the provider is competent enough to carry out their obligations and serve consumers. Both consumers will judge whether the company has integrity, where consumers can trust its work. Finally, consumers believe that service providers have the motivation not to take actions that are not following consumer expectations. Trust is a basic element of building a relationship quality model. Trust believes that a partner in a relationship will do the best for what his partner wants. Trust encourages relationship members to generate relationships and resist the temptation not to prioritize short-term results and act opportunistically. The trust of the seller is positively associated with the likelihood that the buyer will be involved in the business in the future, therefore increasing the relationship's duration.

Loyalty

Loyalty is a manifestation of the fundamental human need to support, get a sense of security, build attachments, and create emotional attachments (Kartajaya, 2007: 126). According to Sutisna (2003: 41), loyalty is a pleasant attitude towards a brand presented in a consistent purchase of that brand. Meanwhile, Fandy Tjiptono (20087: 110) states that customer loyalty is a customer commitment to a brand, store, supplier based on a very positive attitude and is reflected in consistent repeat purchases.

Customer loyalty is a behavioral drive to make repeated purchases. To build customer loyalty to a product/service produced by this business entity takes a long time through a repetitive purchasing process (Gibson, 2000: 75).

Customers are said to be loyal or loyal if they show regular buying behavior or a condition where it requires the customer to buy at least twice within a specific time interval. Efforts to provide satisfaction are made to influence customer attitudes, while the concept of customer loyalty is more related to behavior than customer attitudes (Griffin, 2005: 46).

Companies are trying to get into the minds of customers that switching to a different product will waste time, money, or hinder customer performance. So there is an emotional bond. Customers are said to be loyal if they buy repeatedly or continuously.

Research Methods

Time and Location of Research

The research was conducted in April-May 2020 by taking the location at PT. Buena Persada Mining Services.

Research Design

This study uses an explanatory analysis approach, meaning that each variable presented in the hypothesis will be observed by testing the causal relationship of the independent variable to the dependent variable. The relationship between variables can be described in the form of a path analysis diagram as follows: The conceptual research framework can be explained as follows:

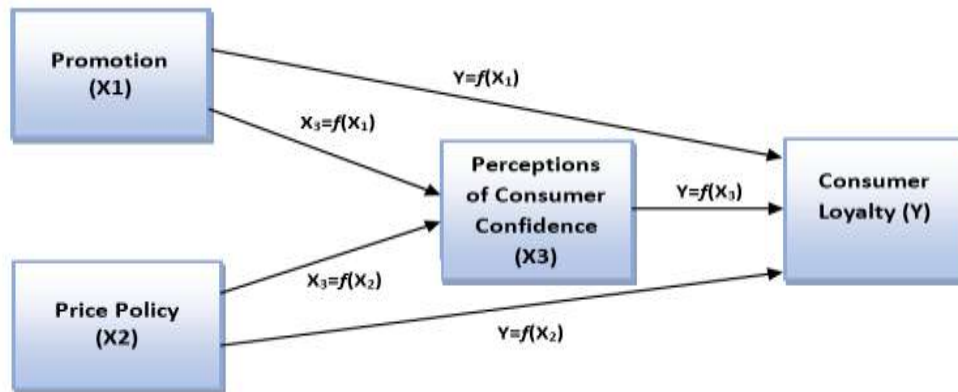


Figure 1. Overall Path Analysis

Population and Sample

The population in this study were customers of PT. Buena Persada Mining Services. While the sample used includes 50 company customers who make purchases.

Research Results and Discussion

Analysis of the effect of independent (exogenous) on dependent (endogenous)

Overall this analysis involves all the variables being analyzed, namely promotion (X1), price (X2), perceived trust (X3), and consumer loyalty (Y). This analysis uses path analysis. The loading factor value is obtained from the standardized coefficient

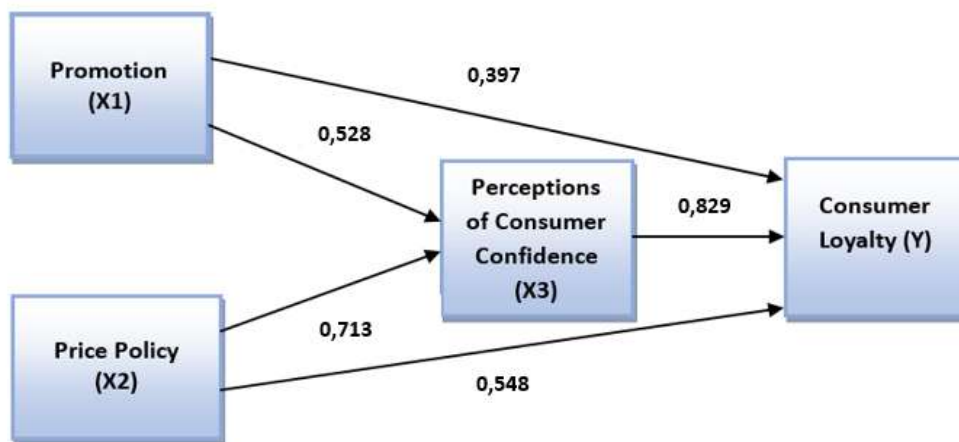


Figure 2. The loading factor value of the overall path analysis

Path analysis 1

The analysis on this path is the effect of promotion (X1) on consumer loyalty (Y). The loading factor value is 0.397. This value has a t-value equal to 3.947 with a significance of 0.00 or less than 0.05, so it can be said that promotion significantly affects consumer loyalty.

Path Analysis 2

The analysis on this path is the effect of the price (X2) on consumer loyalty (Y). The loading factor value is 0.548. This value has a t-value equal to 5.444 with a significance of 0.00 or

less than 0.05, so it can be said that price significantly affects consumer loyalty.

Path Analysis 3

The analysis on this path is perceived trust (X3) on consumer loyalty (Y). The loading factor value is 0.829. This value has a t-value equal to 10.268 with a significance of 0.00 or less than 0.05, so it can be said that the perception of trust has a significant effect on consumer loyalty.

Path Analysis 4

The analysis in this pathway is the effect of promotion on perceived trust (X3). The loading

factor value is 0.528. This value has a t-value equal to 13.574 with a significance of 0.00 or less than 0.05, so it can be said that promotion significantly affects perceived trust.

Path Analysis 5

The analysis on this path is the effect of price on perceived trust (X3). The loading factor value is 0.713. This value has a t value equal to a significance of 0.00 or less than 0.05, so it can be said that price significantly affects perceived trust.

Path Analysis 6

The analysis on this path is the effect of promoting consumer loyalty (Y) through a perceived trust (X3). The loading factor value of the direct effect of promotion on consumer loyalty is 0.397, while the effect of promotion on consumer loyalty through perceived trust is $0.528 \times 0.829 = 0.438$. This indirect effect is greater than the influence, or in other words, the perception of trust can increase the effect of promotion on consumer loyalty by $0.438 - 0.397 = 4.1\%$. In this case, it can be said that the perception of trust is an intervening variable.

Path Analysis 7

The analysis on this path is the effect of price on consumer loyalty (Y) through a perceived trust (X3). The loading factor value of the direct effect of price on consumer loyalty is 0.548, while the effect of price on consumer loyalty through perceived trust is $0.713 \times 0.829 = 0.591$. This indirect effect is greater than the effect, or in other words, the perception of trust can increase the effect of price on consumer loyalty by $0.591 - 0.548 = 0.043$ or 4.3%. In this case, it can be said that the perception of trust is an intervening variable.

III. CONCLUSIONS AND SUGGESTIONS

Conclusion

The promotion has a significant effect on consumer loyalty. The loading factor value is 0.397. This value has a t-value equal to 3.947 with a significance of 0.00 or less than 0.05. Price has a significant effect on consumer loyalty. The loading factor value is 0.548. This value has a t-value equal to 5.444 with a significance of 0.00 or less than 0.05. Perception of trust has a significant effect on consumer loyalty. The loading factor value is 0.829. This value has a t-value equal to 10.268 with a significance of 0.00 or less than 0.05. The promotion has a significant effect on the perception of trust. The analysis in this pathway is the effect of promotion on the perception of trust (X3). The loading factor value is 0.528. This value has a t-

value equal to 13.574 with a significance of 0.00 or less than 0.05. Price has a significant effect on perceived trust. The loading factor value is 0.713. This value has a t-value equal to 18.349 and a significance of 0.00 or less than 0.05.

The loading factor value of the direct effect of promotion on consumer loyalty is 0.397, while the effect of promotion on consumer loyalty through perceived trust is $0.528 \times 0.829 = 0.438$. This indirect effect is greater than the other influences, or in other words, the perception of trust can increase the effect of promotion on consumer loyalty by $0.438 - 0.397 = 4.1\%$. In this case, it can be said that the perception of trust is an intervening variable.

The loading factor value of the direct effect of price on consumer loyalty is 0.548, while the effect of price on consumer loyalty through perceived trust is $0.713 \times 0.829 = 0.591$. This indirect effect is greater than the effect, or in other words, the perception of trust can increase the effect of price on consumer loyalty by $0.591 - 0.548 = 0.043$ or 4.3%. In this case, it can be said that the perception of trust is an intervening variable.

IV. SUGGESTIONS

In the promotion analysis, the publicity indicator has the smallest correlation value among other indicators. This indicates that this indicator is still weak. Therefore it is necessary to increase the publicity of the company's products. Publicity is carried out through online media, printed media, word of mouth, or mobile media such as public transportation. In the analysis of the 6th indicator price, the price affecting the image has the smallest loading factor. Therefore, this indicator must be addressed by increasing the product image in the view of consumers. This activity is carried out by improving the quality of the products produced and providing appropriate prices and promoting them well to believe that this is true. In the consumer satisfaction variable, the second indicator has a small loading factor value. This indicator is the seller's responsibility to consumers by complying with the promises delivered, giving confidence to consumers, and not violating what has been agreed upon.

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