

THE EFFECT OF PRODUCT QUALITY, PERCEPTION OF PRICE AND
PROMOTION TO SATISFACTION OF FURNITURE CUSTOMER OF CV.
MITRAS JEPARA TO INCREASE DECISION OF REPURCHASING

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Abstract

The purpose of this study is to analyze the effect of product quality, price perception, promotion, and customer's satisfaction towards repurchasing in CV. Mebel Mitras Jepara.

The writer uses Structural Equation Modeling (SEM) method in the analysis. In this study, there are two analyze techniques which are Confirmatory Factor Analysis and Regression Weight. The numbers of sample used in this study is 100 respondents.

Based on the hypothesis summary, this study shows that product quality, price perception, promotion, and customer's satisfaction positively and significantly affect customer's decision in repurchasing goods.

Keywords : Product Quality, Price Perception, Promotion

1. Foreword

The development of the business world is now increasingly marked by the increasing number of influences and challenges that exist around the community. Events between people's lives were shifted that had an impact on changes in economic conditions, social, political, and cultural. Customer behavior changes in a row that forces marketers to be faster, more accurate, responsive, and dynamic in understanding the needs and wants of Customer in the present and future (Schiffman and Kanuk, 2007). Furniture industry is one of the industrial sector that continues to grow in Indonesia. In the present era, wood furniture has become

a mandatory requirement necessary to provide good interior design for the home and can provide comfort so as to support various activities. Furniture industry also plays an important role as a source of foreign exchange for the country because the enthusiasts to the products also come from abroad. So far Indonesia furniture / furniture industry still has good prestige in world trade.

A company must strive to understand and meet the needs of Customer. Customer satisfaction is the main target of the company to achieve maximum profit in sales. Customer will have a close relationship with the company, if Customer already have satisfaction with the product or service provided. Companies must be able to achieve customer satisfaction in order to establish a harmonious relationship with the surrounding community. Three basic needs of Customer to be satisfied are physical needs, practical needs, and functional needs. Physical needs include layout shop, structuring goods, to the customer's toilet.

Practical needs are things related to the product (price, quality and benefits). Functional needs, namely the things that can be met from service sales personnel (Sigid, 2001). In Indonesia, especially Central Java has furniture industry centers that are uniquely difficult to imitate other areas, even other countries. This is a huge potential to continue to develop, so that its contribution to the economy of this region can be more significant. It is also an economic potential that should be encouraged to continue its growth so that from time to time can contribute to the regional and national economy (Cahyono, 2010). The city in Central Java as the center of the furniture industry is Jepara. In Jepara many manufacturers, both in the form of legal entities and individuals (home industry) as a craftsman furniture with a fairly high income by having several employees. One of the furniture manufacturers in Jepara is CV. Mitras Jepara that produce their own to be marketed in showroom at Jl. RA. Rukmini Kecapi, Jepara. CV. Mitras Jepara founded by Bpk Tarhib in 1990.

This company focuses on furniture made from pure Mahogany wood to maintain the quality of furniture. Furniture produced by CV. Mitras Jepara is classified in premium-class furniture classical or minimalist style. Due to indoor themed furniture products on demand, CV. Mitras Jepara began to focus on indoor products on its production. Indoor-type products are furniture that is in the room, such as bed sets, dining chairs, dining tables, cupboards, buffets, and others.

Nevertheless, competition from some similar companies has an impact on sales declining from year to year. Based on sales data Furniture CV. Mitras Jepara in 2011-2015 is as follows:

Table 1.1
Furniture Sales of CV. Mitras Jepara
2011-2015

Year	Sales (in IDR)
2011	4.275.000.000
2012	3.880.000.000
2013	3.125.000.000
2014	2.480.000.000
2015	2.060.000.000
Rata-Rata	3.164.000.000

Source : CV. Mitras Jepara Furniture, 2011

Table 1.1 shows that the average sales of CV. Mitras Jepara furniture decreased by 16.57%. The decline is due to several things such as lack of raw materials, low quality of products compared to other countries' products, more expensive local products compared to other countries and lack of promotion (<http://bisnisukm.com/potensi-industri-meubel-jepara.html>). This has an impact on low purchasing decisions.

An increasingly fierce competition requires companies to implement promotional strategies in order to capture and capture Customer from competitors. Companies see in terms of promotion is an activity to inform and persuade customer to buy products offered. CV. Mitras Jepara must know the three aspects of these factors that affect Customer satisfaction so it influences customer to buy periodically products sold by the company. Increased Jepara furniture industry is rising, CV. Mitras Jepara always produce new products (new design) for Customer every month. But in this new design there has been no interest by Customer. It can be seen that the new product is only part of the market that sells. It shows that the Customer's lack of interest to buy so can not increase sales. This is the problem in this research so it needs to be studied the influence of product quality, price perception, promotion to increase customer satisfaction that will impact on the purchase decision back to CV. Mitras Jepara.

From these existing problems, then the formulation of the problem in this study are as follows:

1. Whether product quality can improve the furniture customer's satisfaction of CV. Mitras Jepara?
2. Whether price perception can boost the furniture customer's satisfaction CV. Mitras Jepara?
3. Whether promotion can improve customer satisfaction CV. Mitras Jepara?
4. Is customer satisfaction CV. Mitras Jepara can improve purchase decision?

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Literature Review

Customers show behavior to find, exchange, use, value and determine products / services that are considered capable of meeting their expectations, this is called Customer Behavior. In another perspective the behavior is shown, that is how the Customer can use its resources to get the product / service it expects. Marketing strategy is developed by analyzing the factors that have an influence on customer behavior. According to Mowen (2002), the study of purchases and exchange processes that include income, use and disposal of products, services and experiences is called customer behavior. The purchase decision is a selection of two or more alternative options (Schifman and Kanuk, 2008). For Customer, the purchase decision process is an important activity because in the process contains various steps that occur in sequence before the consumer makes a decision. When customer decide to buy, consumers will encounter a series of decisions that must be taken to capture the type of product, brand, seller, quality, time of purchase and mode of payment. Dharmmesta and Handoko in Putri Harlina. L. (2014).

According to Walker, et al (2001) Customer satisfaction can be identified as a condition where the needs, wants, and expectations of Customer can be met through the product consumed. In general, Customer satisfaction can be regarded as a feeling of pleasure or disappointment of a person from the comparison between the products purchased in accordance or not with his expectations. Oliver (2007) explains that Customer satisfaction is part of marketing and plays an important role in the market. In the company every Customer satisfaction is important, because if the Customer is satisfied with the service or product, then the position of the product or service will be good in the market. The product becomes an important instrument for achieving success and prosperity in the modern enterprise. Technological developments, increased global competition, and market needs and desires require the company to continually develop products. There are only two choices of successful product development so as to produce a product of achieving its business objectives because the product is not able to compete in the market (Cooper and Klienschmidt, 1987).

A product can satisfy the consumer when judged to meet or exceed his wishes and expectations (Spreng et, 1996). Quality is also the most fundamental of Customer satisfaction and success in competing. In fact quality is a must for all company sizes and for the purpose of developing quality practices as well as showing to Customers that they are able to find hope for higher quality (Tata et al 2000). Dharmamesta and Handoko in Wariki Marlen (2015) declare price is the sum of money (plus some products if possible) needed to obtain some combination of products and services. Dinawan in Wariki Marlen (2015) said the perception of the price is seen from: 1) price comparison with other products, that is how the comparison of product price with the product of its competitors. 2)

Price compliance with product quality, ie whether the price offered is in accordance with the product quality set. 3) Affordability of price, ie affordability of prices offered by producers to customer. Based on the theory, it is concluded that price perception for each individual is relative therefore the determination of the price according to the product can be the right reference for the consumer and the marketing party in the purchasing decision.

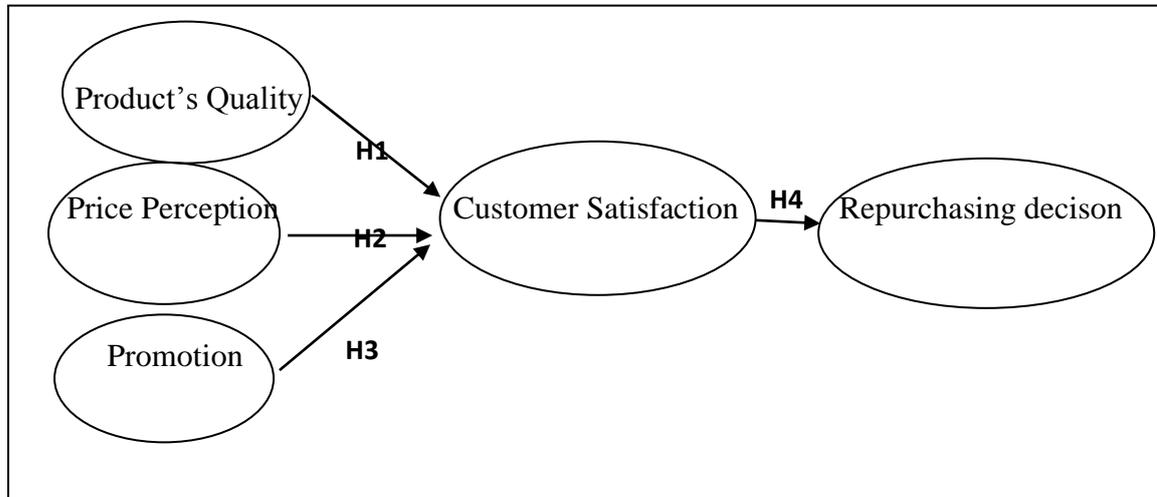
A product can satisfy the Customer when judged to meet or exceed his wishes and expectations (Spreng et, 1996). Quality is also the most fundamental of customer satisfaction and success in competing. In fact quality is a must for all company sizes and for the purpose of developing quality practices as well as showing to consumers that they are able to find hope for higher quality (Tata et al 2000). Dharmamesta and Handoko in Wariki Marlen (2015) declare price is the sum of money (plus some products if possible) needed to obtain some combination of products and services. Dinawan in Wariki Marlen (2015) said the perception of the price is seen from: 1) price comparison with other products, that is how the comparison of product price with the product of its competitors. 2) Price compliance with product quality, ie whether the price offered is in accordance with the product quality set. 3) Affordability of price, ie affordability of prices offered by producers to Customer. Based on the theory, it is concluded that price perception for each individual is relative therefore the determination of the price according to the product can be the right reference for the customer and the marketing party in the purchasing decision. In the marketing context, the term price can be interpreted as a monetary amount and / or other (nonmonetary) aspect that contains certain utility / utility needed to obtain a service (Tjiptono, 2004).

Promotion is an expression in the broad sense of the activities that are effectively done by the company to encourage consumers to buy products or services offered Sukirno and Poerwanto, (2014). Another notion of promotion is a series of activities to communicate, give knowledge and convince people about a product so that he acknowledges the greatness of the product, also reminds his thoughts and feelings in a form of loyalty to the product. Suryadi (2011).

2.2 Theoretical Thinking Framework

To know clearly the influence of product quality variables, price perceptions, and promotion of customer satisfaction impact on repurchase decision, then compiled the picture framework in this research as follows:

Figure 2.1
Theoretical Thinking Framework



Sources : Pramita (2010), Mowen, et al (2002), Kertajaya (2002), Harjanto (2010) and Ardhana (2010), Jerome McCarthy dan William D. Perreault, Jr. (1993), Woodside (1989), Anderson and Sullivan,1993).

2.3 HYPOTHESES

- H₁: Product quality has a positive effect on customer satisfaction.
- H₂: Price perception has a positive effect on customer satisfaction.
- H₃: Promotion has a positive influence on customer satisfaction.
- H₄: Consumer satisfaction has a positive effect on re-purchasing decision.

3. RESEARCH METHODS

3.1 POPULATION AND SAMPLE

The population in this study is the unknown number of customers who have made purchases in furniture CV. Mitras Jepara. The sample is a portion of the population that has relatively similar characteristics and is considered to represent the population (Singarimbun, 1991). Method of sampling in this research use accidental sampling, that is sampling method which is done by using who found by chance as sample. Research with 20 indicators requires a sample of 20 x 5 or 100 samples, especially in Chi-square testing of SEM models that are sensitive to the number of samples, good sample ranges from 100-200 samples for maximum likelihood estimation technique (Ferdinand, 2006). So the minimum sample size used in this study are 100 respondents.

3.2 DEFINITION OF OPERATIONAL VARIABLES

Table 3.1
Definition of Operatínal Variables

No	Variable	Variable Definition	Indicators
1.	ProductQuality (x ₁)	Products are everything can be offered to the market to satisfy needs or wants including physical goods, services, experiences, events, people, property, organization information and ideas. (Kotler, 2007)	1. Quality of raw materials used 2. Variation of product design 3. Proven strength of the furniture products
2.	Price Perception (X ₂)	Price is the amount of money the customer must pay to get the product. (Kotler and Armstrong, 2008))	1. Compatibility between price and quality 2. Conformity between the price and the quantity or amount of furniture purchased 3. Prices given in accordance with the ability to buy
3.	Promotion (x ₃)	Promotion is a variety of ways to inform, persuade, and remind consumers directly or indirectly about a product or brand being sold. (Kotler and Keller, 2009)	1. Promotional reach 2. Discount Price 3. Internet
4.	Customer Satisfaction (Y ₁)	Satisfaction is the feeling of pleasure or disappointment of someone who emerges after comparing the performance of the product to the expected performance. (Kotler, 2003)	1. Satisfaction exists overall 2. Conformity with consumer expectations 3. No complaints
5.	Re-purchase Decision(Y ₂)	Purchasing decisions are the process by which consumers go through five stages, problem recognition, information searching, alternative evaluation, purchasing decisions, and post-purchase behavior that start well before actual purchases are made and have a long-term impact thereafter. (Kotler, 2007).	1. Customers have a desire to buy back. 2. Customers decide to buy because it is in accordance with the will. 3. Customers have an interest to recommend

4. Data Processing Outcome

4.1 Confirmatory Factor Analysis

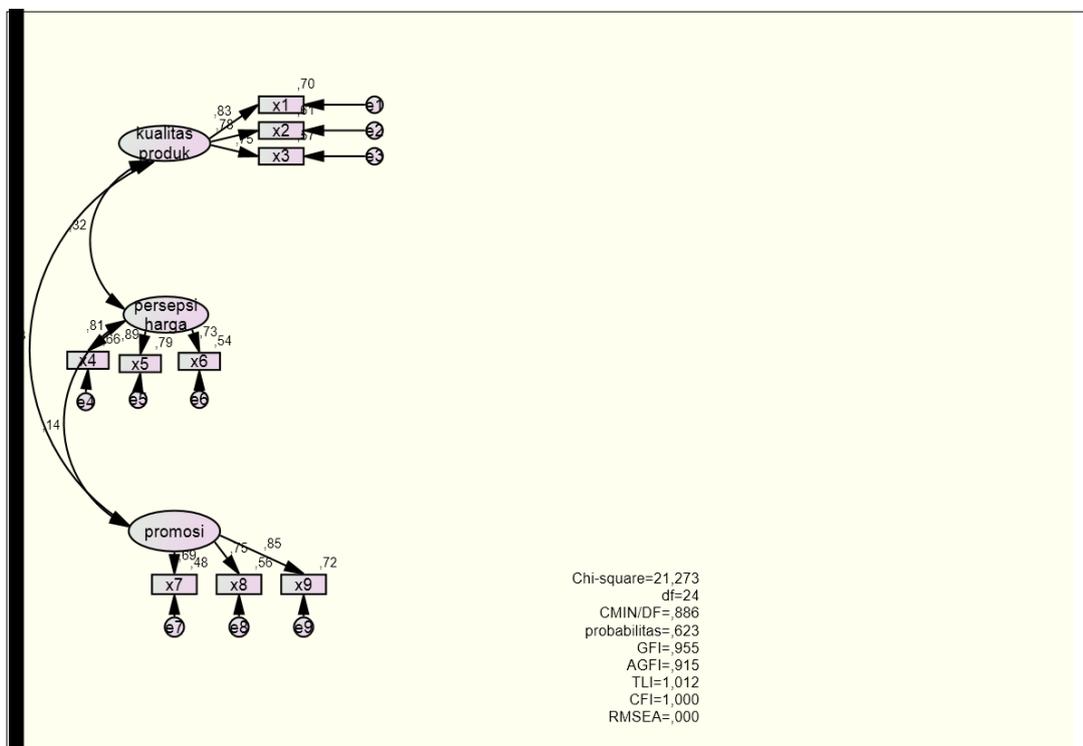
Confirmatory Factor Analysis is performed to study the uni-dimensionality of latent variables forming factors. This analysis measures indicators of latent variables in the study. Below will be described on the results of the Confirmatory Factor Analysis:

1) Analysis of Exogenous Confirmatory Factors Discriminant Validity

In Figure 4.1. below presented the results of CFA testing for exogenous variables of discriminant validity.

Figure 4.1

The outcome of Model Feasibility Testing on Factor Confirmation Analysis of Discriminant Validity



Source: Primary Data Processed, 2017

In Table 4.2. and 4.3. below presented exogenous construct test results ie service quality.

Table 4.2
Result of Exogenous Construct Test of Discriminant Validity

Goodness of Fit Index	Cut-off Value	Analysis Outcomes	Model Evaluation
Chi – Square	<36,415 df 24	21,273	Good
Probability	≥ 0.05	0,623	Good
RMSEA	≤ 0.08	0,001	Good
GFI	≥ 0.90	0,955	Good
AGFI	≥ 0.90	0,915	Good
CMIN/df	≤2,00	0,866	Good
TLI	≥ 0.95	1,012	Good
CFI	≥ 0.95	1,000	Good

Source: Primary Data Processed, 2017

It can be concluded that the observation model meets the good criteria. It is based on the probability value of the goodness of fit test shows the value of 0.623, in addition the construct used in this research model has met the criteria of goodness of fit with the prevailing standard.

Table 4.3
Regression Weights Construct Discriminant Validity

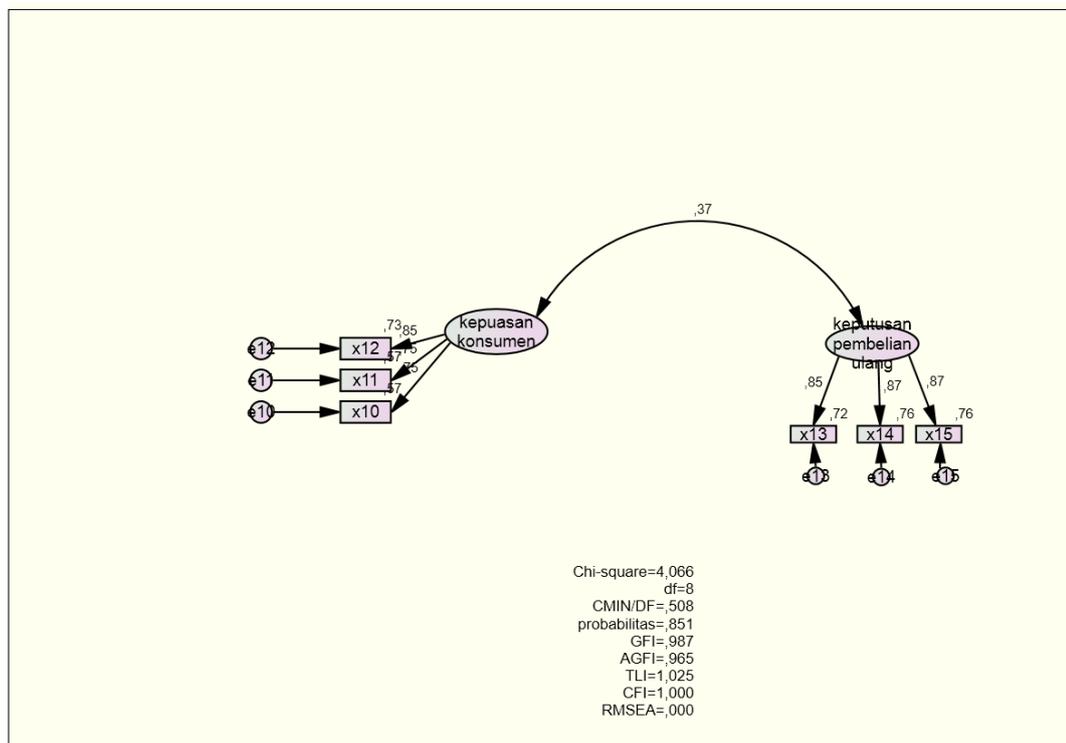
		Estimate
x1	<--- Prodct quality	,834
x2	<--- Product quality	,779
x3	<--- Product quality	,753
x9	<--- Promotion	,849
x8	<--- Promotion	,750
x7	<--- Promotion	,691
x6	<--- Price perception	,733
x5	<--- Price perception	,890
x4	<--- Price perception	,811

Source: Primary Data Processed, 2017

The required loading / lambda factor is 0.40 (Ferdinand, 2006). As shown in the table in the Std.Estimate column each shows the value of 0.834, 0.779, 0.753, 0.849, 0.750, 0.691, 0.733, 0.890, 0.811 (above 0.40) so that discriminant validity indicators are said to have satisfied unidimensionality and there is no need to modify the model of this study.

2) Analysis of Confirmatory Factors Endogenous Constructs Consumer Satisfaction and Purchasing Decision.

Figure 4.1
Analysis of Confirmatory Factors Endogenous Constructs Consumer Satisfaction and Purchasing Decision



Source : Primary Data Processed, 2017

In Table 4.4. and 4.5. below is presented about the endogenous test results of Consumer Satisfaction and Purchase Decision

Tabel 4.4
Results of Endogenous Constructing Test of Customer Satisfaction and Purchasing Decision

Goodness of Fit Index	Cut-off Value	Analysis Outcome	Model Evaluation
Chi – Square	<15,507 df 8	4,066	Good
Probability	≥ 0.05	0,851	Good
RMSEA	≤ 0.08	0,001	Good
GFI	≥ 0.90	0,987	Good
AGFI	≥ 0.90	0,965	Good
CMIN/df	≤ 2,00	0,508	Good
TLI	≥ 0.95	1,025	Good
CFI	≥ 0.95	1,000	Good

Sumber: Primary Data Processed, 2017

The fit model in this study has been qualified, this is evidenced by the value of test constructs that have met the criteria of goodness of fit that has been determined.

Table 4.5
Regression Weights Endogen Constructions Consumer Satisfaction and Purchase Decision

		Estimate
x10	<--- Customer_satisfaction	,754
x11	<--- Customer_satisfaction	,753
x12	<--- Customer_satisfaction	,854
x15	<--- Re-purchasing-decision	,874
x14	<--- Re-purchasing-decision	,871
x13	<--- Re-purchasing-decision	,849

Sumber: Primary Data Processed, 2017

The next analysis was a complete model of Structural Equation Model (SEM) analysis, after analyzing the unidimensionality of the latent variable formers tested by confirmatory factor analysis. Analysis of data processing result at full stage of SEM model is done by doing conformity test and statistical test.

Results of data processing for the analysis of full SEM model shown in Figure 4.2 and Table 4.6

Figure 4.2
The outcomes of *Structural Equation Model (Path Diagram)*

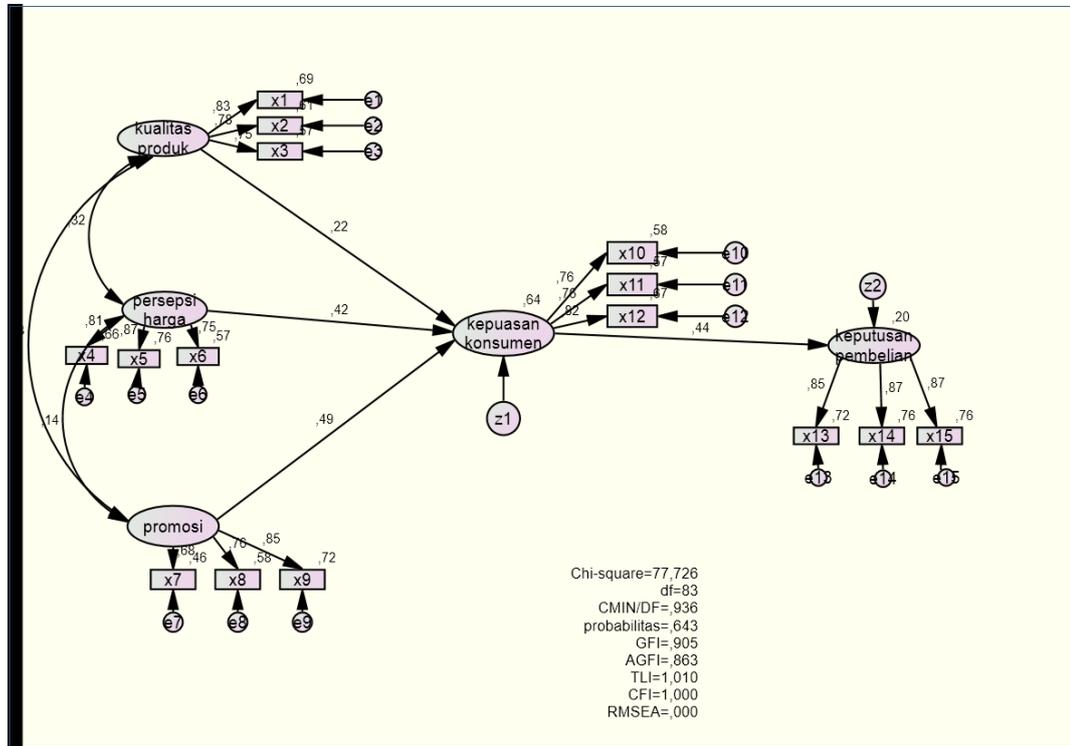


Table 4.6
Model Feasibility Test Result

Goodness of Fit Index	Cut-off Value	Hasil Analisis	Model Evaluation
Chi – Square	< 105,267 df 83	77,726	Good
Probability	≥ 0.05	0,643	Good
RMSEA	≤ 0.08	0,001	Good
GFI	≥ 0.90	0,905	Good
AGFI	≥ 0.90	0,863	Marginal
CMIN/df	≤ 2,00	0,936	Good
TLI	≥ 0.95	1,010	Good
CFI	≥ 0.95	1,000	Good

Sumber : Research Data Processed, 2017

4.2 Hypothesis Testing

After all assumptions can be met, then will be tested hypothesis as proposed in the previous chapter. Testing of 4 hypotheses of this study was conducted based on Critical Ratio (CR) value of a causality relationship from SEM processing result as in table 4.7 below.

Table 4.7
Standardized Regression Weight

	Estimate	S.E.	C.R.	P	Label
Customer_satisfaction <--- Product_quality	,197	,091	2,165	,030	par_5
Customer_satisfaction <--- Promotion	,351	,078	4,482	***	par_6
Customer_satisfaction <--- Price_perseption	,335	,085	3,929	***	par_15
Customer_satisfaction <--- Customer_satisfaction	,517	,134	3,846	***	par_7

Sumber : Research Data Processed, 2017

4.2.1. Hypothesis 1 Testing Outcomes

The estimation parameter for testing the effect of product quality on customer satisfaction shows CR value of 2,165 and with probability equal to 0,030. Both values obtained are eligible for H1 acceptance ie CR value of 2,165 which is greater than 1,96 and probability 0,030 smaller than 0,05. Thus it can be concluded the quality of the product has a positive effect on customer satisfaction. This is consistent with Mowen, et al (2002) argues that product quality has a direct and positive effect on customer satisfaction. By increasing the ability of a product will create a competitive advantage so that customers become more satisfied. In a study conducted by Wardani (2010) and Windoyo (2009) stated that product quality positively affects customer satisfaction

4.2.2. Hypothesis 2 Testing Outcomes

The estimation parameter for testing the influence of price perception on customer satisfaction shows CR value of 3,929 and with probability equal to 0.001. Both values are eligible for the acceptance of H2 ie CR value of 3.929 which is greater than 1.96 and the probability of 0.001 is greater than 0.05. Thus it can be concluded that price perceptions affect the destruction of customer satisfaction. This reinforces research conducted by Harjanto (2010) and Ardhana (2010) which shows that prices have a positive effect on customer satisfaction. Thus it can be concluded that at a certain price level, if the perceived benefits increase, then the value will increase as well. If the perceived value of customers is higher, it will create maximum customer satisfaction (Tjiptono, 1999).

4.2.3. Hypothesis 3 Testing Outcomes

The estimation parameter for promotion testing on customer satisfaction shows CR value 4,482 and with probability equal to 0,001. Both values are eligible for the acceptance of H3 ie CR value of 4.482 which is greater than 1.96 and the probability 0.001 is smaller than 0.05. Thus, it can be concluded the promotion has a positive effect on customer satisfaction. This proves if the customer is satisfied, then they will show the magnitude of the possibility to repurchase the same product. Satisfied customers will also tend to provide good references to the product to others. Not so with dissatisfied customers. The process will continue to recur until consumers feel satisfied with their product purchasing decisions.

4.2.4. Hypothesis 4 Testing Outcomes

The estimation parameter for testing the influence of customer satisfaction on the repurchase decision shows CR 3,846 value and with probability equal to 0.001. The two values obtained are eligible for the acceptance of H4 ie CR value of 3.846 which is greater than 1.96 and the probability 0.001 is smaller than 0.05. Thus it can be concluded that consumer satisfaction has a positive effect on purchasing decision. There is a direct positive relationship between customer satisfaction and repeat purchase decisions supported by the results of research on various categories of products (Anderson and Sullivan, 1993). The results of this study suggest that overall customer satisfaction on the product or promotion of consumer behavior to reuse products

5. CONCLUSION

Hypothesis proposed in this research is four hypotheses. The conclusions of the four hypotheses are as follows:

1. The results of testing the effect of product quality on customer satisfaction showed CR value of 2.165 and with a probability of 0.030. Both values obtained are eligible for H1 acceptance ie CR value of 2,165 which is greater than 1,96 and probability 0,030 smaller than 0,05. Thus it can be concluded the quality of the product has a positive effect on customer satisfaction.
2. Test results influence the perception of prices on customer satisfaction shows CR value of 3.929 and with a probability of 0.001. The two values obtained are eligible for the acceptance of H2 ie CR value of 3.929 which is greater than 1.96 and the probability of 0.001 is greater than 0.05. Thus it can be concluded the perception of the price effect on customer satisfaction.

3. Test results of the influence of promotion testing on customer satisfaction showed CR value of 4.482 and with a probability of 0.001. Both values are eligible for the acceptance of H3 ie CR value of 4.482 which is greater than 1.96 and the probability 0.001 is smaller than 0.05. Thus, it can be concluded the promotion has a positive effect on customer satisfaction.
4. The test results influence the influence of customer satisfaction on repurchase decision shows CR value of 3.846 and with the probability of 0.001. The two values obtained are eligible for the acceptance of H4 ie CR value of 3.846 which is greater than 1.96 and the probability 0.001 is smaller than 0.05.

5.1 Limitations of Research

Some research limitations that can be drawn from this research are as follows:

1. Limitations of modeling of this study only look from the aspect of customer satisfaction is not more in depth about the purchase decision.
2. The results of this study can not be generalized in other cases outside the object of this study are: furniture customer of CV Mitras Jepara

5.2 Future Research Agenda

The results of this study and the limitations found out in the research can be a source of ideas for the future development of the research, the suggested research extension of this study is to add an independent variable that influences the buying decision repeatedly.