THE IMPACT OF MARKETING MIX (4P'S) ON CUSTOMER LOYALTY TOWARDS TOYOTA AVANZA

Rendy Harsono
International Business Management Program, Petra Christian University
Jl. Siwalankerto 121-131, Surabaya
E-mail: rendyharsono@gmail.com

ABSTRACT

With the tight competition in the automotive industry, customer loyalty has become the key for success. However, customer loyalty is not always easy to earn. With this in mind, the research is established with the goal to analyze the impact of 4P's of Marketing Mix towards customer loyalty on Toyota Avanza.

Using questionnaires as data gathering instrument with simple random sampling, 124 respondents were gathered from people around Surabaya, who has bought and ride Toyota Avanza. The data obtained then analyzed using multiple linear regressions. The result shows that 4P's of Marketing Mix simultaneously has significant impact, however individually 4P's of Marketing Mix only product variable has proven to be significant toward customer loyalty. Therefore, companies, especially Toyota Astra Motor should focus on increasing the product quality of its lineup while maintaining the other factors such as price, place and promotion.

Keywords: Marketing Mix (4P) , Customer Loyalty

INTRODUCTION

In this modern era, transportation has become part of our life itself. People have long searched an effective way of traveling. Now cars are one of the things that we see almost every day, this is especially true in Indonesia’s big cities due to the inadequate public transportation, car usage has been increasing since the past seven years. The most significant increase in car usage can also be seen in 2012, where car sales have been increased by 25% from 894,164 to 1,116,230 units. In 2014 Indonesia’s automotive industry has experienced decline in term of sales number after four straight years of growth caused by the increase of subsidized fuels price by Indonesia government. However in the early 2016, Indonesia’s car sales have increased by 15.86%.

One of the leading products supporting the growth of Indonesia’s automotive industry is Toyota Avanza (Gasnier, 2015). Cars with more passenger capacity have become an all-time favorite in Indonesia. Toyota Avanza is very popular among first-time car buyers for its utility, good pricing and only subjected to 10% tax whereas the crossover and LSUV (Luxury Sports Utility Vehicle) types are subject to a 30 percent luxury tax (Rahardja, 2015).
Toyota Astra Motor has launched several types of car types, such as Sedan, Hatchback, MPV, SUV, Commercial, Sport, and Hybrid. However Toyota Avanza remains the best-selling car in Indonesia (Saragih, 2015, December 5). Toyota launches Toyota Avanza in 2003 due to the concern over slow growth of Toyota Kijang sales after doing conducted a thorough market research to fulfill the specific needs of Indonesian customers (Jakarta Post, 2003).

Looking at Toyota Avanza current position in the market, researcher has no doubt that Toyota Avanza is very successful in Indonesia’s market as it is (Saragih, 2015, December 5). But it has to remember that there are many new competitors entering the market that might cause the market to sway. One of the examples is when Honda launched Honda Mobilio in 2014. It quickly grasped the Indonesian market and becomes a threat to Toyota Avanza, the Honda Mobilio was already ranked number three in February 2014 and ranked number two in March 2014 (Gasnier, 2015).

<table>
<thead>
<tr>
<th>No.</th>
<th>Car Name</th>
<th>Unit(s) Sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Toyota Avanza</td>
<td>125,506 Units</td>
</tr>
<tr>
<td>2.</td>
<td>Toyota Agya</td>
<td>51,908 Units</td>
</tr>
<tr>
<td>3.</td>
<td>Honda Mobilio</td>
<td>41,189 Units</td>
</tr>
<tr>
<td>4.</td>
<td>Toyota Innova</td>
<td>37,396 Units</td>
</tr>
<tr>
<td>5.</td>
<td>Honda HR-V</td>
<td>34,469 Units</td>
</tr>
</tbody>
</table>

Toyota Avanza needs to keep its position as the best-selling car in Indonesia’s automotive industry (Autobook, 2015). This can be done by increasing the sales of Toyota Avanza, one way to boost the sales and market share is by having loyal customers, loyal customer will spend more on the company or brand that they trust and they will spread it to their acquaintances. However, in order for customers to be loyal requires a long time process (Seow-Chien Chew, 2009). Unlike other consumer products with more frequent replacement cycles, automotive buyers often don not return to market for three to four years, or even more. Therefore loyalty will be the focus of this research (Zetu, 2010).

One of the factors with impact towards customer loyalty is marketing mix. By having a good product (Product), reasonable price (Price), accessible location (Place) and effective promotion strategy(Promotion) companies will then have the ability to influence consumers to learn and purchase their product (Hooi, 2012) thus increasing the chance of creating a loyal customer.

In Toyota Avanza’s case the application of Marketing Mix can be seen from Toyota Avanza's product line which includes engines, spare parts and accessories for Toyota Avanza, this part of the marketing mix shows that Toyota reaches a wider market and reduces market-based risks through a diverse product mix. In Price Toyota Avanza uses the market-oriented pricing strategy, where the seller compares similar products being offered in the market then sets the price higher or lower than their competitors, this part of Toyota Avanza’s marketing mix shows that the company determines price levels based on market conditions and customers’ perceptions. In Place dealerships are Toyota’s main places for distributing its products, this element of the marketing mix determines the venues where customers can access the company’s products, there are 12 official dealers located in Surabaya (Toyota Astra, 2016), which means customers can easily gain access to Toyota Avanza. Toyota Avanza uses personal selling, advertising, public relation, direct marketing, sales promotion, and word of mouth marketing. It is believed that by applying these Marketing Mix strategies will help Toyota Avanza to increase their loyal customers.

**LITERATURE REVIEW**

In this chapter, the writer will explain all the concepts and relevant researches related to marketing mix factors (product, price, place, and promotion), and consumer loyalty. Relationship between marketing mix towards consumer loyalty will also be discussed as the basis of this research.

**Marketing Mix**

In 1948 Marketing Mix was first developed by James Culliton (The Marketing Mix, 2012), using the concept from James Culliton, Jerome McCarthy developed the concept of 4P’s in 1964, Jerome McCarthy divided the marketing mix into four factors, which are product, price, place, and promotion (Goi, 2009). While according Kotler and Keller (2015), Marketing Mix is a marketing tool used by the company to reach marketing objectives in fulfilling the target market. On the other hand customers described 4P’s as the marketing tools used by companies to create profit (Kotler & Keller, 2015).

According to Cravens (2000), Product can be defined as “everything that potentially has value to the target market that can give benefits and satisfaction that include products and services”.

Price is the amount of money that is imposed on a product or service, or the value of the exchange by the consumer with the benefits due to the ownership or usage of the product or service or simply the amount of money a buyer must pay to obtain the right to use or own the product (Hawkins, 2010).

According to Hawkins (2010) Place is a channels used to get the products to the target customers inside and outside the company, where target customers usually makes the purchase.

Promotion according to Hawkins (2010) is basically the signal or information that the firm provides about itself and its products to different parties or target customer, in order for customer to be loyal first the product needs to grab the potential customer's attention.

**Customer Loyalty**

Customer Loyalty according to Oliver (1997), customer loyalty is a commitment to repurchase a preferred
products or services of a specific brand and high resistance to brand-switching behavior. A buyer can be said loyal when they do repeat purchase or cross-selling.

Customer loyalty is bringing more profitability to the company that the customer is loyal to by reducing marketing cost, lowering transaction costs, increasing cross-selling and increasing word-of-mouth (Griffin, 2002).

In this research, two major theories are used as the basis of the research, which are Marketing Mix and Consumer Loyalty. Marketing Mix are believed to be the factors that influence the Customer Loyalty.

The Marketing Mix theory consist of Product, Price, Place, and Promotion (4P’s), these four factors are believed to influence customer’s loyalty towards a certain product to some degree (Kotler & Keller, 2015). First is Product, a good product quality, design, variety and features will be able to make customers to do a repeat purchase on a particular brand products or services, according to research by Setiawan (2014), Product quality boasts the most relevant result in terms of influencing customers decision in automotive industry, while in Price, a product needs to be offered within the price range that is suitable to be paid by the customers, a customer is less likely to change their brand preference if they feel that the price paid for the product is suitable.

A similar research by Gupta (1988), found that price discounts does indeed caused temporary brand switching, but after the discounts end, customers will lose interest in the product, in this research we will find out how this variable will affect customer loyalty on Toyota Avanza. In Place if a product is always available and customers have easy access to the products or services, there will be an increase in the customer’s willingness to purchase or use the products or services, as a result of increment on availability, customers will have more time and place to perceive more value for the product, which will lead to greater customer satisfaction and loyalty (Yoo, 2000).

Lastly, promotional activities will help to attract as many customer as possible by creating interesting ads and promotions. (Yang, 2004) states that advertising had significant effects in influencing customer's buying decision, which in turn helped to acquire new customers and retain loyal customers. Therefore it is believed that the combination of Product, Price, Place, and Promotion will affect a product's customer loyalty.

**RESEARCH METHOD**

The purpose of this study is to examine the impact of Marketing Mix towards the customer loyalty in the case study of Toyota Avanza in Surabaya by conducting a hypothesis testing. According to Cooper (2014), there are four types of research method which are reporting, descriptive, explanatory and predictive. Reporting is a summary of data usually used to get a better understanding or comparison. Descriptive study has a goal to describe a subject using the collection of data and the tabulation of the frequencies on research variables or their interaction. Explanatory study is a study explaining the relationship between two or more variables using theories and hypotheses. Explanatory study is also referred as correlation study. Predictive study is used for determining the relationship between 2 variables or more to predict the current or future result. This particular research is considered as an explanatory study, since the researcher wants to test the relationships and impact of 4Ps of Marketing Mix towards Toyota Avanza's customer loyalty.

Qualitative research is appropriate to be used by the researcher because of the purpose of the study which is to examine the impact of Marketing Mix towards the customer loyalty. According to Sibanda (2009) qualitative research is a research focusing on numerical data and generalizing it across groups of people. The results of the research will then be used to determine the concepts and predict the future result (Sibanda, 2009). The data will be processed using SPSS 19.0 and Multiple Linear Regression analysis.

According to Sekaran and Bougie (2010), there are four types of data, which are nominal ordinal, interval and ratio. Nominal data is a data that can be categorized into mutually exclusive and collectively exhaustive groups and cannot be ordered based on number because the numbers are only used as representative symbol of the data. Data for all the screening questions such as gender, age, occupation, price will be categorized as a nominal data. The second data type used is interval data, which serves as a measurement for the distance between two points. The data which the respondents assign toward the indicators which has been stated above will be averaged to acquire the score which represents each of the variables (4P’s), this data will be categorized as interval data because of the arithmetical process that will be conducted on the data later on.

The data that will be used for the research will be gathered from two sources, primary and secondary. The primary data will be gathered from the respondents through online questionnaires, where the respondents will fill the questionnaires developed by the researcher, the data gathered will be processed and give the accurate information for the research. Researcher will also use Google survey for the online questionnaires. The secondary data is mostly taken from journal, articles, websites and books. By combining the primary and secondary data the researcher will be able to acquire reliable information for the analysis of impact of the marketing mix (4P’s) toward the customer loyalty of Toyota Avanza.

In this research the researcher will use the simple random probability sampling which will provide results with least bias and reliable generalization of the population (Sekaran & Bougie, 2010).

The population of this research will focus on Toyota Avanza customers who have purchased and rides Toyota Avanza, and also have seen Toyota Avanza’s advertisements, additionally to avoid invalidity the researcher limits the age range of the population to 18 years old as the minimum limit and 60 years old as the maximum limit, the limitation of the age is set because the researcher believes that people aging around 18-60 years old are the one who are more exposed to car-driving experience. The sample will be taken from the member of the population in...
Surabaya. Everyone among the suitable age will have an equal chance to be selected as a sample, the questionnaires will be distributed in universities and malls around Surabaya and also via online survey.

The sample size of this research will be determined by the formula developed by Pallant (2007), where the sample size must be bigger than 50+8X, where X is the number of independent variables, since there are four independent variables which are Product, Price, Place and Promotion, the sample size must be bigger than 82.

Validity test according to Sekaran and Bougie (2010) is a test to measure how well a measuring instrument measures the concept that it is intended to measure. For validity testing the researcher will use bivariate analysis using SPSS 19 in order determine the validity of the data. If the significance value of an item is lower than 0.05, then it is said to be valid.

The reliability test according to Ghozali (2011) is a test to find the consistency of a measuring instrument in measuring a concept which is supposed to be free of bias and error, reliability can be measured from two things, which are stability and inter-item consistency. An instrument is said to be reliable when its measurement ability stays the same over time despite the random testing condition or respondent's reaction, in inter-item based consistency, an instrument is reliable when the items and subsets of items in the instrument are highly correlated. The researcher will use inter-item consistency for the reliability test, which can be measured through Cronbach’s Alpha, when the Cronbach’s Alpha of the variable is higher than 0.6 then it can be said as a reliable instrument, the closer the value to 1, the more reliable it is (Ghozali, 2011).

Before using the data the researcher will conduct both validity and reliability test in order to make sure that the measuring instruments used are reliable.

The data calculation method used for observing the impact of marketing mix (4P's) on customer loyalty toward Toyota Avanza, the researcher is using multiple linear regression analysis. The researcher has to conduct assumption test in prior in order to examine the normality, autocorrelation, multicollinearity and heteroscedasticity in the research data.

Normality test according to Ghozali (2011) is conducted to examine whether the residuals in a regression model are normally distributed. The normality condition must be fulfilled because in F-test and T-test it is assumed that the residual values follow the normal distribution, otherwise the statistical test will not be valid for small number of sample. Normality test can be conducted graphically or statistically.

In graphic analysis researcher can use histogram and normal probability line to compare the data with the normal distribution, normality is achieved when the histogram shows a bell-shaped curve pattern and the data is spread along the normal probability line in a pattern. While statistically, the method is by using Kolmogorov –Smirnov (K-S) test.

K-S value is calculated and the significance level of K-S value will be analyzed by using SPSS. If the significance value is below 0.05, it means that H₀ should be rejected which means that the residuals are not normally distributed, if the significance value is greater than 0.05 it means that the residuals are normally distributed. This research will use two methods to conduct normality test, the first one is using graphs and the second one is using Kolmogorov –Smirnov (K-S) test.

Autocorrelation according to Ghozali (2011) has the purpose of examining whether there is correlation between residual of T-period with the residual of its preceding period (T-1 period). In the case that the correlation between residuals exist, it is said that autocorrelation occurs In order to test the autocorrelation existence, Durbin-Watson test is used (Gujarati, 2011).

Multicollinearity test is conducted to analyze whether there are correlation between the independent variables in the regression analysis. If correlation presents between its independent variables then it can be said that the independent variables has correlation with other independent variable, when it happens, it makes the estimation of the regression coefficients become unreliable (Sekaran & Bougie, 2010).

There are few methods on how to detect multicollinearity, but in this research the researcher will use Variance Inflation Factor (VIF) and Tolerance Value method. Tolerance value measures the variability of the chosen variable that is no explained by the other variables. The minimum limit of the tolerance value of all variables is 0.10. In other word, if the tolerance value exceeds 0.10, it can be said that there is no correlation among the variables or there is no multicollinearity between the independent variables in the research. VIF is the indicator of how much the variance of an estimated regression coefficient. The VIF is 1/Tolerance, which is always greater than or equal to 1. Values of VIF that exceed 10 are often regarded as indicating multicollinearity. When VIF is still equal or lower than 10, it can be said that there is no strong evidence that collinearity is affecting the regression coefficients, and thus the estimation of regression coefficients can be said as reliable (Braunstein, 2007). It can be concluded that if Tolerance Value > 0.1 and VIF value < 10, there is no multicollinearity. If Tolerance Value <0.1 and VIF value >10, multicollinearity exists.

Heteroscedasticity test is conducted to examine whether the variance of error differs across different observations or value predictor variables, a variance of errors should stay constant across different observations (Ghozali, 2011). According to Ghozali (2011) there are two ways to determine the existence of heteroscedasticity which are graph analysis and statistical analysis. Several methods are available to do statistical analysis such as park test,
dependent variables are motion, and customer loyalty. Having 0.05, the following rules will be focused on since the R variation in dependent variable are cannot be explained by re.

The last analysis is the multiple linear regression analysis that is being divided into F-test, t-test, and Adjusted R Square. The goal is to measure the importance of each independent variable in explaining the variation in the dependent variable, this particular analytical tool is useful in measuring the importance independent variable in explaining the variation in the dependent variable (Sekaran & Bougie, 2010).

F-test is conducted to measure the significance of the model, which it examines the independent variables in the regression model will simultaneously have significant impact toward the dependent variable (Ghozali, 2011). This value can be seen in the ANOVA result. Using significance level of 0.05, if the P value (sig.) from the F-test of the multiple regressions is higher than 0.05, then the null hypothesis is failed to be rejected, which means the regression model does not have significant impact towards dependent variables. On the other hand if the P-value (sig.) is lower than 0.05, then the null hypothesis can be rejected, which means that the regression model have a significant impact towards dependent variable.

t-test is a measurement of each independent variables included in the regression model, which help the researcher to determine if the individual variables has significant impact towards the dependent variables. With the significance level of 0.05, the following rules will be applied for the model. If the P-values (sig.) of the regression model is higher than 0.05, then the null hypothesis is failed to be rejected, which means that the independent variable does not have a significant impact towards the dependent variable. On the other hand, if the P-values (sig.) of the regression model are lower than 0.05, then the null hypothesis can be rejected, which means that the independent variable has a significant impact towards the dependent variables.

Adjusted R² according to Cooper (2014) is the indicator of to which extent the variation in the independent variables can explain the variation in the dependent variable. When the value is closer to 1 it would mean that most of the variation in the dependent variables can be explained by the regression model, if the value is closer to 0 then most of the variation in dependent variable are cannot be explained by the regression model (Sekaran & Bougie, 2010). In the case of multiple linear regression adjusted R² will be the one focused on since the R² has been adjusted with the number of variables included in the regression model. Adjusted R² formula is shown as follows (Ghozali, 2011)

RESULTS AND DISCUSSION

The first test is validity and reliability testing, in order to ensure that the data is both valid and reliable. The validity of the measuring instrument in this research is tested by the use of bivariate correlation test between the items and the sum question items. The step is to sum all of the question items resulted from 124 respondents to become construct total score, then the researcher will run the bivariate analysis comparing the total score with each of the question item. An item which has significance value lower than 0.05 (5%) level of significance means that it is a valid question.

For the reliability test, this researcher used reliability analysis features from SPSS 19. The test focuses on inter-item correlation using Cronbach Alpha as its indicator of reliability. The data can be said reliable when the Cronbach Alpha is higher than 0.6 (Ghozali, 2011), five variables will be measured for validity and reliability which are product, price, place, promotion, and customer loyalty. Having conducted the test, it is found that all the variables Cronbach's Alpha is higher than 0.06 and the significance level below 0.05 which means that all variables are reliable and valid.

After the validity and reliability test, there are four test that will be conducted in classic assumption test which are normality test, multicollinearity test and heteroscedasticity test and autocorrelation test. All data should pass these tests before used in regression.

The model firstly passes the normality test where the graphical results form a bell-shaped curve and the dots are align with the linear regression model. It also supported with the statistical tests which is Kolmogorov –Smirnov (K-S) test. If the significance value is below 0.05, the model passes the Kolmogorov-Smirnoff test when the significance value (0.575) is above 0.05

The model also passes the second test which is the autocorrelation test. It can be seen when the Durbin Watson value of this model (1.892) is higher than the upper critical value of (1.756). For the next test which is the multicollinearity test, the model also passes with tolerance values of the variables are greater than 0.1 and the VIF value is also lower than 10, which there is no multicollinearity between the independent variables in the model.

The model also passes the last test which is the heteroscedasticity test. As the result of the park test, it is shown that the significance F (P-value) of all the parameter coefficients of the independent variables are greater than the significance level of 0.05 which means that there is no heteroscedasticity among the residual in regression model.

The writer also wants to conform the hypotheses made by conducting F-test and t-test. In the f-test it is proven that the model is having significant impact with F-value of 22.572 and sig value of 0.000 which is lower that the significance level of 0.05. This means that Marketing Mix (4Ps) simultaneously have significant influence on customer loyalty. While in the t-test it is proven that only Product has a significant impact towards customer loyalty with t-value of 9.002 and significance of 0.000 which is lower than
0.05, while the other variables significance value is higher than 0.05.

Adjusted R square test is done in this research in order to examine how much the independent variables can explain the dependent variable. It is found that the adjusted R square is 0.412, meaning that 41.2% of the variation in the customer loyalty towards Toyota Avanza as the dependent variable can be explained by the variation in the independent variable (Marketing Mix 4Ps).

CONCLUSION

After interpreting the results of the research by analyzing the data using multiple linear regressions, the researcher will summarize all the discussion made throughout the research. Researcher has developed questions, asking whether Marketing Mix (4Ps) has significant influence on customer loyalty toward Toyota Avanza and which variable of the Marketing Mix (4Ps) that has the most significant influence on customer loyalty toward Toyota Avanza. This research has answered two questions stated in the first chapter by finding out proof that Marketing Mix (4Ps) simultaneously and individually influencing customer loyalty toward Toyota Avanza.

The first alternative hypothesis is verified, meaning that Marketing Mix (4Ps) as independent variables simultaneously has significant influence on customer loyalty toward Toyota Avanza. For the second hypothesis, only product that has been proven to individually gives significant influence on customer loyalty toward Toyota Avanza.

By verifying the hypotheses and answering the question developed in the beginning of the research, the researcher also achieved the research objectives developed in the beginning of the research also.

As shown on the discussion throughout the research Toyota Astra Motor needs to focus on improving its product, because product variable has been proven to be influencing customer loyalty the most. However Toyota Astra Motor should not focus only on product entirely, the other variables which are price, place and promotion also plays important part in influencing customer loyalty simultaneously with product, since it has been proven that all of the variables in Marketing Mix (4Ps) indeed simultaneously influence customer loyalty toward Toyota Avanza. In conclusion Toyota Avanza needs to improve its performance on product while maintaining its price, place and promotion performance. in order to increase the number of loyal customers, where this research only uses Marketing Mix (4Ps) as it's only independent variable and is conducted mainly in Surabaya.

In conducting this research, the writer believes that there is no such thing as perfection. Thus, the writer faces several limitations in conducting the research as follows. Limited number of variables and limited area of coverage

Regardless some limitations that are occurred in this research, the writer provides some suggestion for further research which are widening the coverage area and adding some independent variables that has strong ties with customer loyalty, such as brand equity.

REFERENCES
