

## THE INFLUENCE OF PRICE, PRODUCT ATTRIBUTES, ORIGIN OF PRODUCT, AND PHILOSOPHY TO CUSTOMER LOYALTY AT PASAR BERIMAN TOMOHON

by:

**Julia Friny Runtu<sup>1</sup>**  
**Willem J. A. Tumbuan<sup>2</sup>**

<sup>1,2</sup> Faculty of Economics and Business,  
International Business Administration (IBA), Management Program  
University of Sam Ratulangi Manado

email: <sup>1</sup>[friny\\_inden@yahoo.com](mailto:friny_inden@yahoo.com)  
<sup>2</sup>[wjf\\_alfa@yahoo.com](mailto:wjf_alfa@yahoo.com)

### ABSTRACT

Traditional market is a meeting place for sellers and buyers. It is characterized by the presence of sellers and buyer transaction directly and usually a bargaining process happens. Mostly sell daily needs like foodstuffs such as fish, fruit, vegetables, eggs, meat, cloth, clothing, electronic goods, services and others. Additionally, there is also selling pastries and other items. This research is conducted in Pasar Beriman Tomohon. The objectives of this research are to analyze the influence of price, product attributes, origin of product, and philosophy to customer loyalty, partially and simultaneously. This research is the causal type of research where it investigates the influence of price, product attributes, origin of product, and philosophy to customer loyalty. Using a multiple regression model to answer the research problem. The population in this study is a customer of Pasar Beriman Tomohon whereas sample taken by each respondents 100 respondents. The hypothesis testing, this research conduct a conclusion of there is a significant influence of price, product attributes, origin of product, and philosophy to customer loyalty partially and simultaneously. This study reveals that price, product attributes, origin of product; local product has a strong influence to the customer in order to select, buy and to be a loyal customer at Pasar Beriman Tomohon, they prefer to purchase local products, their perception that local products is better than other products, and become the reason for customer always shop at Pasar Beriman Tomohon.

**Keywords:** *price, product attribute, origin of product, philosophy, customer loyalty*

### INTRODUCTION

The existence of traditional markets is also one of the most tangible indicators of economic activities in a region. Level of economic life of the people, can be easily viewed from activities in the local traditional market. Similarly the progress of a region can be directly seen from the economic activities in the market, at areas concerned. As one of facilities distribution, the presence of traditional markets involve employment opportunities for farmers, producers, entrepreneurs' financial services, transport actors and waiters shop/kios.

Recognizing the importance strategic functions of the traditional markets in order to increase income and employment, it needs to be pursued empowerment of traditional market, so that it becomes a suitable place and became an attractive place to visit for everyone. The existence of traditional markets began to be overwhelmed or even displaced by the presence of modern retail business. Retail business or usually called retailers increasingly felt its existence in people lives every day. Various kinds' retail shopping centers began to emerge with a variety of shapes and sizes.

Firmansyah and Rizal (2012) defined traditional markets are economic entities that involve various elements of the community and the local community. Characteristics and particularities that reflect traditional markets equal opportunity and economic democracy in accordance with the constitutional mandate fitting into the national economic development. Activity in the market entities reflects the reality of economic democracy

through market mechanisms with a system of equitable participation and involvement for each economic actor in it (both on access to business and business ownership). On the other hand, patterns cooperativeness, deliberation, and social interactions within these entities reflect a characteristic that is embedded in the constitution of Pancasila and UUD 1945. With this particularity, the traditional market is a real reflection of economic democracy which upholds the principle of equality.

Traditional markets in order to survive and thrive in the business world is full of competition in getting the customer, it must be able to understand the customer thoroughly, because the customer is the target market of a product. Acceptance or rejection of a product depends on customer perceptions of the product. If customers feel that the product can fulfill their needs and wishes definitely the product will be purchased. Remember the existence of customers are important factors for achieving goals, companies must be aware how important the role of customers

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### **Research Objectives**

The objectives of this research are to analyze the influence of:

1. Price, Product Attributes, Origin of product, and Philosophy influence the customer loyalty simultaneously.
2. Price influence the customer loyalty partially.
3. Product attributes influence the customer loyalty partially.
4. Origin of product influence the customer loyalty partially.
5. Philosophy influence customer loyalty partially.

## **THEORETICAL REVIEW**

### **Customer Loyalty**

Customer loyalty reflects an emotional attachment as well as a business attachment to the service firm (Bateson and Hoffman, 2011:383). Customer loyalty is widely accepted by marketers as being something that's worth nurturing, with many renowned analysts and researchers repeatedly showing the value of loyalty programs in terms of greater spending and satisfaction, more profitable customer behavior, reduced defection levels, and unique competitive advantages (Clark, 2007).

### **Price**

Kotler et. al (2011:320) defines price is the amount of money charged for a product or service. It is the sum of all the value that customers give up to gain the benefits of having or using a product or service. It is one of the most important elements in determining a firm's market share and profitability. Price is not just a number on a tag. It comes in many forms and performs many functions. Rent, tuition, fares, fees, rates, tolls, retainers, wages, and commissions are all the price you pay for some good or service. Price also has many components (Kotler and Keller, 2012:405)

### **Product Attributes**

Basrah and Raga (2013) defined the attributes of the product is a component which is the product properties which ensure that the product can meet the needs and desires that are expected by the buyer as well as the elements of a product that is considered important by consumers and have a difference compared to competitors will be used as the basis for making purchasing decisions. Dimensions of the product attributes

could be the display of products, designs and packaging, as well as the quality of the product. Peter and Olson (2005) defined product attributes are characteristics of the product can be tangible, subjective characteristics.

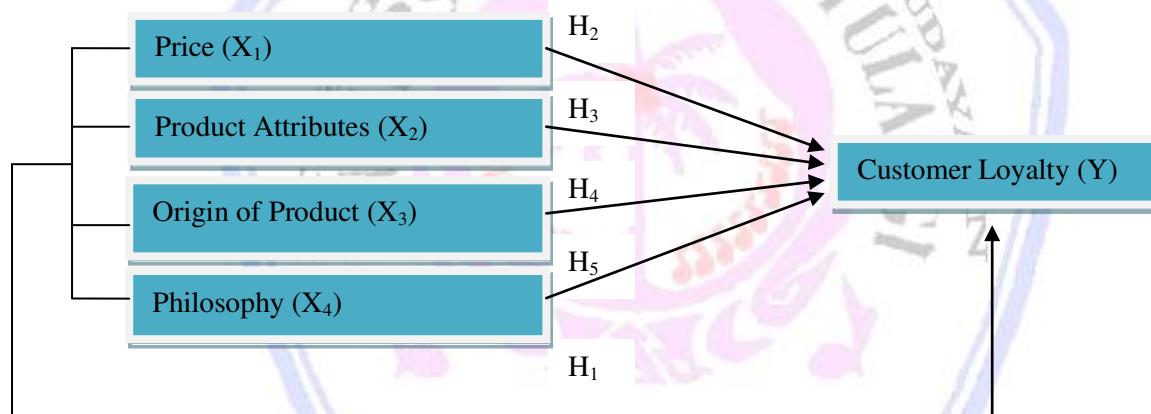
### Origin of Product

Spielman (2014) defined a significant body of literature focuses on how products are evaluated and how consumers categorize and subsequently evaluate products. Products can be evaluated holistically or they can also be evaluated in terms of the extrinsic (central) and intrinsic (peripheral) product characteristics or cues. Place designations play an important role in shaping perceptions of products. This has led to origin-product associations, or perceptions of typicality - the degree to which a product is perceived as representative of its origin. While extant research provides many guidelines for product design and packaging the literature is sparse on how intrinsic and extrinsic product features serve to reinforce or attenuate origin-product associations.

### Philosophy

Amirudin (2010) defined the marketing philosophy states that the organization should strive to satisfy the needs of the customer/ consumer, wants and needs of the organization and meet the objectives of the organization. To achieve this, many firms have adopted a marketing philosophy or what is generally termed a "marketing orientation". A marketing orientation can be defined as focusing the organization on identifying and understanding the customers' preferences in terms of needs and wants and delivering them more effectively and efficiently than competitors.

### Conceptual Framework



**Figure 1. Conceptual Framework**

*Source : Theoretical Review*

### Research Hypothesis

**H<sub>1</sub>** : Price, Product Attributes, Origin of Product, and Philosophy influence the customer loyalty simultaneously.

**H<sub>2</sub>** : Price influence the customer loyalty partially.

**H<sub>3</sub>** : Product attributes influence the customer loyalty partially.

**H<sub>4</sub>** : Origin of Product influence the customer loyalty partially.

**H<sub>5</sub>** : Philosophy influence the customer loyalty partially.

## RESEARCH METHOD

### Type of Research

This research is a causal type of research where it will investigate the influence of price, product attributes, origin of product and philosophy to customer loyalty.

### Place and Time of Research

This study is conducted in Pasar Beriman Tomohon. The questionnaire was distributed directly to the respondent. The research is conducted during on September to November 2014.

### Population and Sample

Population is the entire group or people, events, or things that the researcher desires to investigate (Sekaran and Bougie 2010:443). The population in this research is all the customers of Pasar Beriman Tomohon. The sample of this research is the customers as much as 100 respondents. The sampling design is sample random sampling that is considered as the best way of getting some basic information quickly and efficient. Sample random sampling is using every element in the population has a known and equal chance of being selected as a subject. This sampling design has the least bias and offers the most generalizability (Sekaran and Bougie 2010:270).

### Data Collection Method

They are two types of data: (1) Primary Data use Questionnaires were distributed to customers of Pasar Beriman Tomohon, respectively 100 sheets. While calculating weight rating customer questionnaires using Likert scale. Likert scale was associated with a statement about one's attitude towards and internet of the concept of price, product attributes, origin of product and philosophy to customer loyalty. And (2) secondary data is method of data collection by studying the relevant literature in order to obtain a theoretical overview from books, journals, and relevant literature from library.

### Data Analysis Method

#### Validity and Reliability Test

The reliability of a measure is established by testing for both consistency and stability. Consistency indicate how well the items measuring a concept hang together as a set, Gronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another (Sekaran and Bougie, 2010:162). Since reliable scale are not necessarily valid researchers also needs to be concerned about validity. It assesses whether scale measure what is supposed to be measured. Thus validity is a measure of accuracy in measurement (Hair et. al, 2010:120).

### Multiple Regressions on Analysis Method

Multiple regressions use to express the effect of independent variables and the dependent variable. The formula of linear regression (multiple linear regressions) in general as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where:

Y = Customer Loyalty

X<sub>1</sub> = Price

X<sub>2</sub> = Product Attributes

X<sub>3</sub> = Origin of Product

X<sub>4</sub> = Philosophy

α = Constant

b<sub>1</sub>, b<sub>2</sub>, b<sub>3</sub> = the regression coefficient of each variable

e = error



**RESULT AND DISCUSSION**

**Result**

**Validity and Reliability**

The validity test of Price ( $X_1$ ) 0.837, Product Attributes( $X_2$ ) 0.721, Origin of Product( $X_3$ ) 0.844, Philosophy ( $X_4$ ) 0.834 also Customer Loyalty (Y) are above 0.3 which mean that all indicator are valid. The reliability test using Alpha Cronbach. The Cronbach's Alpha parameter, with ideal score more than 0.6. The variable are reliable because the value of Cronbach's Alpha is bigger than 0.6.

**Classical Assumption Test**

**Multicollinearity**

**Table 1. Multicollinearity Test Table**

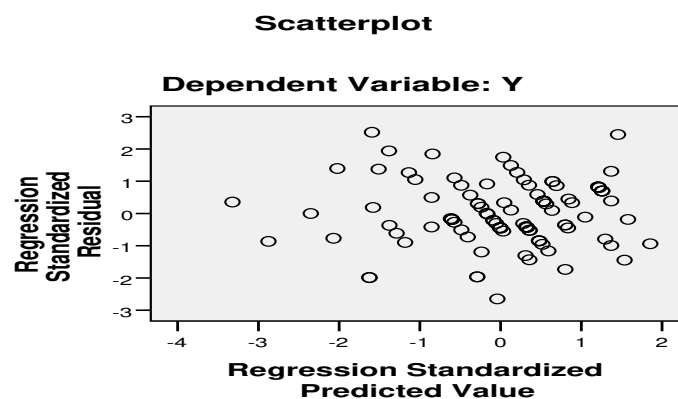
Model		Collinearity Statistics	
		Tolerance	VIF
1	$X_1$	.131	7.659
	$X_2$	.499	2.003
	$X_3$	.142	7.046
	$X_4$	.108	9.222

a. Dependent Variable: (Y)Customer Loyalty

The calculation multicollinearity through the VIF and tolerance. VIF value of Price, Product Attributes, Origin of Product, and Philosophy of customer loyalty at Pasar Beriman Tomohon are < 10 or have values of 7.659, 2.003, 7.046, and 9.222.It means that there is no connection between the independent variables.

**Heteroscedasticity**

Good regression model is one that is free from the problem of heteroscedasticity. The regression model said to be free of heteroscedasticity if there is no clear pattern and the point spread above and below the number 0 (zero) on the Y axis.



**Figure 2. Heteroscedasticity Results**

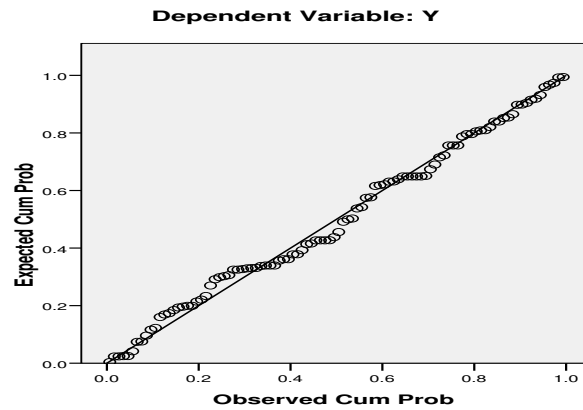
*Source : Processed data 2014*

Figure 2 show that there is no established pattern. In other words the graph describing the plot spread above and below the number 0 (zero) on the Y-axis. This proves that the independent variables of attractiveness, trustworthiness, and expertise of celebrity endorser are free of heteroscedasticity.

**Normality**

Normality test can be identifying by using graph of P-P Plot. The data will distribute normally if the value of P-P Plot is near diagonal line of the graph.

**Normal P-P Plot of Regression Standardized Residual**



**Figure 3. Normality Test**  
 Source: Data Processed 2014

Figure 3 shows that the points spread around the diagonal line and follow the direction of the diagonal line. Therefore, the data is distributed normally.

**Multiple Regression Analysis**

**Table 2. Multiple Regression Result**

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	T	
1	(Constant)	3.110	.141		3.778	.004
	X <sub>1</sub>	.090	.089	.097	1.009	.005
	X <sub>2</sub>	.383	.053	.351	7.161	.000
	X <sub>3</sub>	.633	.087	.667	7.259	.000
	X <sub>4</sub>	.096	.098	.103	4.977	.001

Source: Processed Data, 2014

From the analysis, obtained by linear regression equation as follows:

$$Y = 3.110 + 0.090 X_1 + 0.383 X_2 + 0.633 X_3 + 0.096 X_4$$

From the multiple linear regression equation above, it can inform the interpretation as follows:

1. Constant value of 3.110 means that if all independent variables in this research: Price, Product Attributes, Origin of Product, and Philosophy are equal to zero, then the Customer Loyalty (Y) of Pasar Beriman Tomohon is predicted to be 3.110.
2. Coefficient value of 0.090 means that if the variable in this research, Price at Pasar Beriman Tomohon, increases by one scale or one unit, it will increase customer loyalty at Pasar Beriman Tomohon by 0.090.

3. Coefficient value of 0.383 means that if the variable in this research, Product Attributes, increases by one scale or one unit it, will increase customer loyalty at Pasar Beriman Tomohon by 0.383.
4. Coefficient value of 0.633 means that if the variables in this research, Origin of Product, increases by one scale or one unit, it will increase customer loyalty at Pasar Beriman Tomohon by 0.633.
5. Coefficient value of 0.096 means that if the variables in this research, Philosophy, increases by one scale or one unit, it will increase customer loyalty at Pasar Beriman Tomohon by 0.096.

### Coefficient of Determination ( $r^2$ )

**Table 3. Table R and R<sup>2</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.941(a)	.886	.882	.21771

a Predictors: (Constant), X<sub>4</sub>, X<sub>3</sub>, X<sub>2</sub>, X<sub>1</sub>

b Dependent Variable: Y

Source: Data Processed, 2014

The coefficient determination ( $R^2$ ) measures how good is the ability of a model in explaining variation of dependent variable. The value of coefficient of determination is between 0 and 1. The coefficient determination ( $R^2$ ) of 0.886 shows that the linear relationship in this model is able to explain the consumers preference (Y) for 88.6% while the rest 11.4% is explained by other factors not discussed in this research.

### Hypothesis Test

**Table 4. F-test Result**

Model		Sum of Squares	Df	Mean Square	F	Sig.
Regression		35.097	4	8.774		
Residual		4.503	95	.047	185.118	.000(a)
Total		39.600	99			

a Predictors: (Constant), X<sub>4</sub>, X<sub>2</sub>, X<sub>3</sub>, X<sub>1</sub>

b Dependent Variable: Y

Source: Processed Data, 2014

Value of 185.118 of  $F_{\text{count}}$  significant 0.000. Because the sig < 0.05 means the confidence of this prediction is above 95% and the probability of this prediction error is below 5% which is 0.000. Therefore  $H_0$  is rejected and accepting  $H_a$ . Thus, the formulation of the hypothesis that the Influence of Price, Product Attributes, Origin of Product, and Philosophy on Customer Loyalty at Pasar Beriman Tomohon, accepted.

**Table 5. T-test Result**

Model		T	Sig.
1	X <sub>1</sub>	8.009	.000
	X <sub>2</sub>	7.161	.000
	X <sub>3</sub>	7.259	.000
	X <sub>4</sub>	4.977	.001

a. Dependent Variable: (Y)

The calculations in the table above, the interpretation as follows:

1. The result of  $t_{\text{count}}$  for Price (X<sub>1</sub>) 8.009 more than the value of 1.660  $t_{\text{table}}$  means Price variable (X<sub>1</sub>) partial influence on customer loyalty (Y) at Pasar Beriman Tomohon. The sig. value at 0.000 means that prediction of Price (X<sub>1</sub>) on customer loyalty (Y) at Pasar Beriman Tomohon doing errors is 0%, thus the confidence of this prediction is below 95%. Therefore,  $H_0$  is accepted and rejecting  $H_a$ .

2. The result of  $t_{count}$  for Product Attributes ( $X_2$ ) 7.161 more than the value of 1.660  $t_{table}$  means Product Attributes ( $X_2$ ) partial influence on customer loyalty (Y) at Pasar Beriman Tomohon. The sig. value at 0.000 means that prediction of Attributes ( $X_2$ ) on customer loyalty (Y) at Pasar Beriman Tomohon doing errors is 0%, thus the confidence of this prediction is below 95%. Therefore,  $H_0$  is accepted and rejecting  $H_a$ .
3. The result of  $t_{count}$  for Origin of Product ( $X_3$ ) 7.259 more than the value of 1.660  $t_{table}$  means Origin of Product ( $X_3$ ) partial influence on customer loyalty (Y) at Pasar Beriman Tomohon. The sig. value at 0.000 means that prediction of Origin of Product ( $X_3$ ) on customer loyalty (Y) at Pasar Beriman Tomohon doing errors is 0%, thus the confidence of this prediction is below 95%. Therefore,  $H_0$  is accepted and rejecting  $H_a$ .
4. The result of  $t_{count}$  for Philosophy ( $X_4$ ) 4.977 more than the value of 1.660  $t_{table}$  means Philosophy ( $X_4$ ) partial influence on customer loyalty (Y) at Pasar Beriman Tomohon. The sig. value at 0.001 means that prediction of Origin of Product ( $X_3$ ) on customer loyalty (Y) at Pasar Beriman Tomohon doing errors is 1%, thus the confidence of this prediction is below 95%. Therefore,  $H_0$  is accepted and rejecting  $H_a$ .

## Discussion

The result shows that price has significant influence to customer loyalty at Pasar Beriman Tomohon. According to the data, the respondents who are interest to buy goods at Pasar Beriman Tomohon, because the price at Pasar Beriman Tomohon is affordable. People really concern about price when buy goods, and they consider the price before they buy a product. Price becomes the reasons why consumers were chose Pasar Beriman Tomohon, and it significantly influence.

The result shows that product attributes has significant influence to customer loyalty at Pasar Beriman Tomohon. The researcher finds out that the respondents interest to shopping at Pasar Beriman Tomohon because the products which they looking for are available and have many varieties. On other hand, respondents show that they interest to shop at Pasar Beriman Tomohon because their products such as meat, fruits and vegetables are fresh and satisfied them. Another result showed that origin of product has significant influence to customer loyalty at Pasar Beriman Tomohon. Many of customers are more prefer to choose local products, their perception that local products is better than other products, and become the reason for customer always shop at Pasar Beriman Tomohon. The quality of local product for the society is more better than import products.

The other multiple regression result showed that, philosophy has significant influence to customers loyalty at Pasar Beriman Tomohon. Customer are satisfied when shop at Pasar Beriman Tomohon, it's because products which are they seek are always available, and easily to find. Some of customer went shop to Pasar Beriman Tomohon because some of their relations suggest them or word of mouth.

This result support the research studied from Oenaryo and Nelloh (2013) that examines shoppers' loyalty in Pasar Dukuh Menanggal Surabaya Indonesia. The result showed that price sensitivity has insignificant toward hedonic value. Shopping values are positively influencing satisfaction but utilitarian value plays a big role on this path. Moreover, the management should improve the necessity of customers to achieve shopping values, satisfaction and loyalty.

## CONCLUSION AND RECOMMENDATION

### Conclusion

There are five constructive findings that can be concluded from the overall result in this research, which are listed as follow:

1. Price, Product Attributes, Origin of Product, Philosophy influence to customer loyalty at Pasar Beriman Tomohon simultaneously and significantly.
2. Price influence to customer loyalty at Pasar Beriman Tomohon partially and significantly.
3. Product Attributes influence to customer loyalty at Pasar Beriman Tomohon partially and significantly.
4. Origin of Product influence to Customer loyalty at Pasar Beriman Tomohon partially and significantly.
5. Philosophy influence to customer loyalty at Pasar Beriman Tomohon partially and significantly.



## Recommendation

There are two practical recommendations that can be concluded from the overall result in this research, which are listed as follow:

1. Seller at Pasar Beriman Tomohon must consider about the importance of price, product attributes, origin of product, and philosophy, regarding with it in advanced.
2. The Seller at Pasar Beriman Tomohon must also evaluate other important factors that affect the the customer loyalty, in order to increasing the number of sales at Pasar Beriman Tomohon.

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