Pricing Strategies and Implementation Promotion Strategies to Improve Customer Loyalty

Amin Kuncoro1, Y. Sutomo2

Management Department, STIE AKA, Semarang, Indonesia

Abstract

This study aims to analyze pricing and promote strategies to increase customer loyalty of sharia banks in Kudus, Central Java, Indonesia. This research method using qualitative and quantitative approach. The data used is time series data. The population of this study are customers who actively transact in Islamic banks in Kudus. Sampling technique using non probability sampling with accidental type of sampling. So the number of respondents needed in this research is a number of 100 active bank customers. The analytical method uses correlational descriptive analysis using Structural Equation Modeling (SEM), correlational assumption test and classical assumption test using AMOS 20 software. The result of this research explains that price and promotion contribute to increase customer and product loyalty which can become empirical variable. This proves that Sharia Bank is expected to have a special strategy to increase customer loyalty. How to increase loyalty in addition to improving the quality of Islamic banking products such as murobahah, musyarokah and mudharobah is to improve the characteristics of macro and Sharia micro finance institutions. This is because the excess of syariah bank products has never been found in conventional financial institutions in Indonesia.

Keywords:
Pricing Strategy; Promoting Strategy; Loyalty Customers.

Strategi Penentuan Harga dan Implementasi Strategi Promosi untuk Meningkatkan Loyalitas Pelanggan

Abstrak


JEL Classification: M3, M31

Correspondence Address
Jl. Citarum No. 44 Mlatibaru, Semarang Timur 50126
Email: kiaisekuler@gmail.com

ISSN
2086-0668 (print) 2337-5434 (online)
DOI: 10.15294/jdm.v9i1.14655
INTRODUCTION

Marketing plays important role to achieve goal. Most of companies depend their living cycles on marketing department, so various efforts to improve the company’s selling often are often reliably used. Many steps done by the company to achieve the company’s purposes by maximizing marketing strategy functions. Those strategies meant are by using various coherent policies so the strategies running well. Kotler (2015), states that its success will never leave from the role of marketing department to act based on marketing philosophy and using clear roadmap. Kuncoro and Rusdianto (2016), explains strategy to take over the customers is identified by its successful strategy to occupy market, however if the strategy is not followed by exact steps, then the strategy will be only basic phenomena. The successful product marketing of syari’ah bank is focused on the explanation of the strategy steps.

Rusdianto and Ibrahim (2016), also explains marketing strategy of syari’ah bank products are identical to the collective achievement values to reach the company’s goal. Anggia et al. (2015) and Witiastuti et al. (2017) explains that marketing has a broad meaning for communication for consumers. Karundeng (2013), provides an understanding that marketing is more directed to the satisfaction of the end consumer. Amron (2014), provides a good price explanation will give effect to consumers or customers. Ardhani (2007) and Koo and Kim (2013) provides an explanation that consumer loyalty is influenced by satisfaction.

Many researchers and experts agree that the main contribution from various marketing department, because the department has organization line or greater marketing share extension of the products and services produced. The company struggles to produce products or services suit on customer’s need. As cited in Kotler (2015), discusses about market orientation with struggles to occupy global marketing competition. If the company has same vision and mission to occupy the competition, then the important thing is the company runs the strategy and policy to lead the market, even to be the leader of the market needs very basic principle concentration to learn the needs of customers by explaining their action as the foundation of the company’s policy (Putri & Yuniawan, 2016; Yuniawan et al., 2017).

Kudus is one of industrial cities having needs and financial circulation or quick transaction, even Kudus is identical with industrial city emphasizing bureaucracy adjustments, maximizing sources and investment. If it is seen from the structures of the city, only a few percent of the region compared to other cities in Central Java, however because of its small region, Kudus becomes the crowded industrial city and raw material management into ready to sell product. One of the obvious ones are some big companies have gone public in Kudus. It triggers financial transaction even occurs every day reaching billion amount. It means the City is full of electronic financial transactions.

The fast growing level of financial department in Kudus region such as micro or macro financial department also quickly advance. Those conventional departments in Kudus is patterned so by the time of the financial transaction growth and policy changes of the government to advance syari’ah financial department, then every financial conventional department competes to open branches having syari’ah nuance or concepts, so the purpose is to avoid riba in every transaction.

Those agencies have structures and infrastructures differing with conventional financial agency, because syari’ah financial agencies have agreement as guidance stated in Al-Qur’an and Hadists. Therefore, the differences of syari’ah bank products with common bank products or the conventional ones. The frequent emerging problems while the emergence of syari’ah financial bank is how the citizen after centuries have been dealing with riba or interest. It becomes the important thing to discuss with the society or citizen partially about syari’ah financial department. The citizen’s readiness to face syari’ah financial department existing in daily
routines needs socialization and awareness of the department’s existence in Kudus.

If it is seen from the problems of citizen’s readiness in Kudus to accept the department, because as a newcomer, the department has determination to be a market challenger or a follower, however the conventional department has become something mainstream for the citizen, so the syari’ah one is expected to stimulate the syari’ah literate society. However, if it is related to financial department, the society still believes in conventional financial department. The efforts done by the government has assisted the citizen to socialize syari’ah bank products, so the purposes to be alternative for the syari’ah literate citizen will affect toward the department’s existence, especially in Kudus.

Syari’ah bank products in Indonesia have various purposes adjusted with the citizen’s needs, it all depends on the ability and the number of aware individuals to their needs. As for example, the need to improve business. From the needs, the syari’ah financial department struggles to learn the citizen’s action what they need from syari’ah financial department in Kudus, so the statements of the problems are how pricing and promoting strategies done by the department to improve the loyalty’s Customers? Meanwhile, the purpose of the research is to analyze pricing and promoting strategy to improve their loyalty.

Hypothesis Development
Relationship of Pricing Strategy, Syari’ah Product Enforcement and Customer Loyalty

Price is value of something called as concepts relate among each other. Then value is various general argumentative utterances or quantitatively has reinforcement causing transaction between customer and seller. The fact is various transactions happened because customer and seller have agreed on price so conscious transaction occurs. It is frequently noticed that price is always about money paid by the customer to seller, then inside of price there is value used to judge goods or services bought (Rusdianto & Ibrahim, 2016).

According to Tjiptono (2002), the price is monetery measurement or any other exchangeable measurements to get right to use the product of service. whereas according to Harini (2008) price is money (added by some possible products) needed to get a certain number of product and service combination. Then according to Gilbert (2003) price is the monetary value assigned by the seller to something purchased, sold or offered for sale, or transactions by a buyer, as their willingness to pay for the benefits the product and channel service delivers.

The fact is to determine identic price and the values of goods or services are done by the seller, it means only the seller knows the price of the product of service determined lately to customers, plus the seller has routine purpose to determine, even the seller understands how the customer acts. The essence of pricing determination is to maintain appropriately the price determined by the seller so the customer is not at disadvantage and disappointed, so the struggled pricing strategies have purpose as communication meant toward buyers or customers to create conscious relationship but not binding them (Luo & Chung, 2015).

Every seller of goods and services has purpose various purpose in determining price. The purpose based on Harini (2008) is to keep price reaching outcomes upon investment, to keep price stable, to defend or improve their shares in market, to face or prevent price and competition and determination. Machfoedz (2005) the purpose of pricing determination covers advantage orientation: achieving new targets, improving advantages and selling orientation: improving selling volumes, and defending or developing markets. Tjiptono (2002) the purpose of pricing determinations are orientations of advantage, volumes, images, price stability and other purposes.

Its success creates companies get multiple advantages, even its success is explained in detail among composition and content leading the customer aware and sincerely buying the products without being disappointed. The same thing goes for syari’ah financial department in
Indonesia, to determine the product price of syari’ah bank, the financial department has agreed structures by many divisions, one of them is human and resource development division having task to manage and create better effective human source to improve relationship with customers.

The Customer loyalty improvements caused by how emotionally close the relationship between seller and Customer of the bank. It is caused the marketing division is identic with the company’s identity, so the stronger their relationship, then the more trusts they gain. From the explanations above, the hypothesis are:

H1: The stronger pricing strategy will give stronger contribution toward syari’ah product enforcement.

H2: The stronger pricing strategy will give stronger contribution toward the bank Customer loyalty.

Relationship of Promoting Strategy, Syari’ah Product Enforcement and Customer Loyalty

Marketing management emphasizes on the gaining result and has rhythm to win the competition, even generally marketing division is known as promoter. Due to its important role, then marketing division is frequently involved to formulate marketing strategies of a company. Inside of marketing management, marketing mix is known as identic market distributions with various efforts to win over. Generally, marketing mix is more intense with its strategies so one of distributive aspects is promotion. Promotion is how the way to introduce products of services to customers, so the final purpose is to introduce directly or indirectly toward the customers. Promotion is a form of communicative information to persuade, bound people with the purpose of the product resulted by company or producer.

Craven (1994) also explains that every action is planned, implemented, and is able to control the emerging communication from the organization with purpose to communicate with the chosen customers. Promotion is company activity to motivate and lead customers to have two directional communication so the goal of the company achieved. The optimal planning utilization from elements such as advertisement, social relationship and private guided selling (Xiao et al., 2015; Hänninen & Karjaluoto, 2017).

From various definition of promotion, then it is understood that promotion is steps done by company to achieve the goal through planning, implementing, and other concrete steps becoming the programs of the company to communicate its product to customers. The function of promotion through active roles from promoter division, then most of big companies do concrete steps to promote well communication toward customers as planned.

The fact, it has special features because various strategies appear. The promotion success are the achievement indicators of the company, if the promotion done by the company fits on target and planning, then the company will have strong branding, because it is one unseparated unit in marketing distribution. One successful factor of the promoting strategy is to improve the company’s expectation, by measuring customer integrity through letters addressed to promoting division. It is different with selling promotion frequently failing because it does not consider the principles of promoting distributions, so every successful aspect is misinterpreted with higher selling interpretation (Aspizain, 2016; Zhang et al., 2016).

Generally, the improvement of promotion will allow other aspects to improve, especially loyalty to the Customers addressed, if promotion experiences failure then the selling level will also fall, then if a company has intention to improve their Customers’ loyalties, promoting strategy is needed based on the vision and mission of the company (Khan et al., 2016).

From the explanations and phenomena above, then the hypothesis is:

H3: The stronger promoting strategy will give stronger contribution toward the syari’ah product enforcement.

H4: The stronger promoting strategy will give stronger contribution toward the bank Customer loyalty.
Relationship of Customer Loyalty and Syari’ah Product Enforcement

Loyalty is a requirement as a means of customer more interested in our products than the others. Because loyalty is directed and seen in customers. Customers repeatedly buying has real purpose rather than only trying customer. Loyalty is a situation where customer acting positively toward product or producer (service provider) and entailed by repeatedly consistent purchasing patterns. Loyalty is continuous action upon goods or services with various possibility of the occurrence great changes and how great the possibility creates feedback from customer to producer and producer to customer. Durianto et al. (2001) states that customers’ loyalty is a standard of success and the customers’ involvement toward products of services. Besides that, the description of product and service involvement has purpose for the customers to stick on the company’s product. When they move to other products then the company assumes it fails.

Actually, loyalty has positive value for the company, because the customers’ loyalty will become standard of success, however that standard has different indicators, so partially, the standard of success will not refer only to one definition but one basic policy definition (Wu, 2011; Rai & Srivastava, 2013; Panjaitan, 2017).

Loyalty indicators of customers have intention to satisfy them, because their satisfactoriness is identic with the successful goal of the company with various material to discuss. The effort to keep customers is considered as smart move, however the company has intention to achieve loyalty. The effort to keep the customers’ loyalty is giving higher operational, forming bound toward customers, leading multiple product, doing research, and training and motivating (Taiminen & Karjaluoto, 2015; Mulyana & Sutapa, 2016; Suwono & Sihombing, 2016).

From the facts, various researches about loyalty are given freedom to be empirically applied or theoretically reviewed, however the emergences of various reviews and empirical proves have not been able yet to contribute, so in a period of time, the company will review internally or externally in which the findings will be discussed with whole stakeholders. From the explanations and phenomena above then the hypothesis is:

H5: The stronger loyalty will affect on syari’ah product enforcement.

Syari’ah Bank Products

The identic products with results or outputs are produced by the producer or company with effort to satisfy customers. Every product has specification used to fulfill customers’ needs, the products will benefit the users. There are some benefits of the product for customers or the users, among them is to give values and to increase confidence. The product identity is intended to cover the needs and satisfaction of the customers, however the product created only to cover satisfaction will have challenges known as product living cycle. From the process of creation until the time it decreasing and fading. It is taken as standard to achieve company’s goals, so the product creation is identified with the need’s coverage.

The concept of global marketing needed by customers, so the customers initially have wantability, will be changed in term of their mind set into to cover their living needs. This coverage gives information for producer to create new products adjusted to customers’ needs. Other thing to consider by producer is how the product’s function toward the users, because the functioning products are always preferred, even customers will share its importance. Kotler (2015) defines that products are any distributed goods and have potency to attract market’s attention, used to consume and able to satisfy customers.

Syari’ah bank products have special features and unobtainable from other companies, so the products will lead to the benefit for the customers and not only just have benefit or advantage orientation. The responsibility of the producer is to maintain the advantage of the product at the ending through various basic calculation so the customers are not at disadvantages both in-
attentionally and unintentionally. The products of syari’ah bank cover goods and services used to benefit the customers, leading to prosperity and put both side at advantages and freed from riba. Riba meant is additional charge given by producer or department to customers. In Islam, riba is forbidden, so every Muslim needs to be aware of this carefully.

Previous Studies
Shabastian and Samuel (2013), find the impacts of pricing and product strategies toward brand loyalty in Tator Café, Surabaya. The findings are price and product presented have uniqueness because the products provided are from each part of Indonesia, so the customers try to repeatedly buy. Sumadi and Soliha, 2015, findings that customer satisfaction mediates the effect of the bank’s image on customer loyalty and customer satisfaction does not mediate trust on customer loyalty. The other researchers also findings that product and promotion have strong values and bind for customers (Cawsey & Rowley, 2016; Pondaag & Soegoto, 2016).

Theoretical Frameworks
Customers’ loyalty is additional values for the company because the Customers give something owned. Other thing delivered by the Customers is they are capable of recommending their friends or family. Loyalty measurement becomes dominant if the use of the products measured, then the marketing promotion is done by the company. It can be concluded how far the company communicates their products toward customers or Customers. Based from the explanations above, could be build the theoretical framework that showed at Figure 1.

METHOD
The research methodology uses empirical method and descriptive qualitative test with primary data as serial time data, then are analyzed by software AMOS 20.

Population and Sample
The sample of the research is active transacting Customers in syari’ah financial department in Kudus consisting of 100 Customers. To determine respondents, that bivariate or multivariate research needs minimally 100 respondents. The technique of collecting data uses non-probability sampling with accidental sampling type.

Definition of Operational Variables
The investigated variables are independent, such as price as something to burden upon something. As well as Syafei (2000) as an agreement, that is something to release in the agreement both little or greater, or equal with the value of good. Usually, price becomes agreed way to exchange by two sides. The variable, price, is measured using 6 indicators meanwhile promo-
ting as one of variables in marketing distribution and important to do by the company to distribute product or service, promoting variable is measured using eight indicators. The dependent variables of the research is the loyalty of the customers. Based on Liao et al. (2014) argue that loyalty of the customers take form of repeatedly buying of a certain brand consistently. Loyalty of the customers are measured by using nine indicators. In the intervening variable that is empirical study of the findings proved by the use of experiments measured by six indicators.

RESULT AND DISCUSSION

Instrument Tests

Before analyzing the data, the collected data is reduced, then is selected to be tested in terms of validity and it reliability through validity test and reliability test. Based on the data processing, it can be explained that all items of the questionnaire have factor loading greater than 0.7 and the reliable with cronbach alpha is greater than 0.6.

Structural Model Evaluation

The evaluation toward this model is closely bind with correlational test among variables so supported or unsupported answer will be found. Whether the coefficient has statistically significant values or not. In the reality, the two way direction test is frequently discussed by using t-table 1.96, meanwhile the research uses AMOS software to show p-value by comparing alpha values (α). Below is represented Figure 1 about multi-group analysis of structural equation modelling (SEM) to answer the chosen respondents.

Table 1. The Index of Model Reliability (Goodness-of-fit) after Modifying Index

<table>
<thead>
<tr>
<th>No</th>
<th>Goodness-of-Fit</th>
<th>Critical Values (Cut-of-Value)*</th>
<th>The Model Test Results</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$X^2$ (Chi-square)</td>
<td>199.244</td>
<td>436.387</td>
<td>Expected Small</td>
</tr>
<tr>
<td>2</td>
<td>RMSEA</td>
<td>≤0.08</td>
<td>0.074</td>
<td>Good</td>
</tr>
<tr>
<td>3</td>
<td>GFI</td>
<td>≥0.90</td>
<td>0.826</td>
<td>Margin</td>
</tr>
<tr>
<td>4</td>
<td>AGFI</td>
<td>≥0.90</td>
<td>0.772</td>
<td>Margin</td>
</tr>
<tr>
<td>5</td>
<td>CMIN/DF</td>
<td>≤2.00</td>
<td>1.992</td>
<td>Good</td>
</tr>
<tr>
<td>6</td>
<td>TLI</td>
<td>≥0.90</td>
<td>0.907</td>
<td>Good</td>
</tr>
<tr>
<td>7</td>
<td>CFI</td>
<td>≥0.94</td>
<td>0.923</td>
<td>Margin</td>
</tr>
</tbody>
</table>
Model Testing: After Modifying Index

The test by connecting and developing the previous chapter lately in SEM, a test is done to find the best model (Goodness-off-fit) represented as follows. The findings and the test are presented in Figure 2.

From the Table 1, is explained that the value of goodness – off – fit in chi square is very low (451.134), Cmin/Df is 1.992, RMSE is 0.08 (0.007), GFI is closely 0.90 (0.819), AFGI is closely to 0.90 (0.760), TLI is greater than 0.90 (0.898) and CFI is closely 0.94 (0.916). After that, there are some modified index value fit on requirements, so the SEM model analysis fits on the conditions.

Research Hypothesis
Price Affects toward Syari’ah Bank Products

The price is frequently understood as a binder between seller and buyer embodying in the form of dominant exchanger, so every company determines the price with various ways so the determined price does not burden the customers. Price is a certain amount given by customers to get advantage from owning or using the product or service. Based on Luo and Chung (2015) price is money (plus some goods) needed to get a set of good and service combination.

Table 2. t-Test (CR) towards Syari’ah Bank Products

<table>
<thead>
<tr>
<th>Loading Factor</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Keterangan</th>
</tr>
</thead>
<tbody>
<tr>
<td>X₁ ← Prod</td>
<td>1.323</td>
<td>0.107</td>
<td>2.958</td>
<td>0.003</td>
<td>Signifikan</td>
</tr>
<tr>
<td>X₂ ← Prod</td>
<td>1.000</td>
<td>0.090</td>
<td>3.415</td>
<td></td>
<td>Signifikan</td>
</tr>
</tbody>
</table>

Table 3. t-Test (CR) Pricing Strategy Contribution toward Members’ Loyalty

<table>
<thead>
<tr>
<th>Loading Factor</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Keterangan</th>
</tr>
</thead>
<tbody>
<tr>
<td>X₁ ← Ln</td>
<td>1.000</td>
<td>0.088</td>
<td>11.914</td>
<td>***</td>
<td>Signifikan</td>
</tr>
<tr>
<td>X₂ ← Ln</td>
<td>0.29</td>
<td>0.066</td>
<td>2.644</td>
<td>0.008</td>
<td>Signifikan</td>
</tr>
</tbody>
</table>

Table 4. t-Test (CR) The Promotion Dimension Contribution toward Syari’ah Bank Products

<table>
<thead>
<tr>
<th>Loading Factor</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Keterangan</th>
</tr>
</thead>
<tbody>
<tr>
<td>X₄ ← Pbs</td>
<td>0.23</td>
<td>0.093</td>
<td>2.304</td>
<td>0.021</td>
<td>Signifikan</td>
</tr>
<tr>
<td>X₅ ← Pbs</td>
<td>1.000</td>
<td>0.082</td>
<td>7.524</td>
<td>***</td>
<td>Signifikan</td>
</tr>
<tr>
<td>X₆ ← Pbs</td>
<td>0.61</td>
<td>0.596</td>
<td>7.524</td>
<td>***</td>
<td>Signifikan</td>
</tr>
</tbody>
</table>

Impacts of Price toward Customers

Price is able to contribute toward the Customers’ loyalty. It is shown that the dominant values of pricing strategy determined by syari’ah financial department in Kudus is acceptable by Customers or citiznes. Table 3 is explained of the
second tested hypothesis, $\lambda_1 = 0.758, \lambda_4 = 0.773, \lambda_5 = 0.169$.

The strategies contribute dominantly toward the loyalty because of having greater estimated coefficient 0.773. It proves that the determined price by syari’ah financial department in Kudus accordingly meets the citizens and Customers’ expectations.

**Promotion Affects Syari’ah Bank Products**

The promotion is able to influence and contribute toward the products. It is due to most syari’ah banks in Kudus have many competitors and they are creative to attract Customers. Table 4 is provide clearer understanding.

**Promotion Affects Customers’ Loyalty**

The promotion is an action of the company to communicate its products and allow customers notice in detail. A strong promotion contributes to the company, so it will improve the Customers’ loyalty. Its improvements is supported by the stronger promoting strategy, because good promotion will win over the competition. Pacheco and Rahman (2015) explains that promotion is seen as information flow from company to someone or organization with purpose to exchange. Pondaag and Soegoto (2016) argues that promotion is interpreted as struggles to attract someone to get product, notions and concepts.

**Price Affects the Customers’ Loyalty through Empirical Study**

Price give strength to create the Customers’ loyalty. Price with interest rate accepted by Customers, beside that the price determined will be useful because Customers will be carefully notice the price gained. Luo and Chung (2015) explains that price is money to pay by buyers to the sellers with a set of combination of goods and its services. Tjiptono (2005) price is a unit of size including goods and service as exchanging formation to get owning right. Price is determined by company will be a guidance to exchange so the customers notice the steps to create the values.

**The Promotion Affects the Customers’ Loyalty through Empirical Study**

The contributing promotion increases the Customers’ loyalty through various information gained from responsible results. The information needed to success the promotion leads to information mapping, reviewed customer approach from various field, so empirically to maximize the promotion needs the program’s consistency and data as meant to achieve the Customers’ loyalty improvements. Liao et al. (2014) argues that loyal Customers are active transacting buyer with same brand.

**CONCLUSION AND RECOMMENDATION**

Price contributes to improve the Customers’ loyalty because determined price by Syari’ah Bank in Kudus competitive. The promotion contributes toward the Customers’ loyalty because promotion will become a meant to communicate. The empirical measurement is able to be variable between information or data used to support the determined price and promotion becoming a matter to follow up by the company.

The suggestion for future researcher to complete the model and its relation among variables to be emphasized on constructive relationship. For Syari’ah Bank, the findings are able to contribute because the promoting strategy determination using empirical data to be more precisely accounted so will improve the Customers’ loyalty.

Various arguments about determining price and promotion refers to program to determine policy from qualitative study case. It needs longer time, meanwhile promoting program need accuracy and quick executed time so can get appropriate moment to communicate to the Customers.

The company in Syari’ah Bank in Kudus usually gains negative image, it is due to the selling value and price determining strategy having no citizen orientation siding with most of them are Muslims, so to determine the margin needs to be careful because of the irreplaceable important rules, that is Al-Qur’an.
REFERENCES


Rusdianto, H & Ibrahim, C. 2016. Pengaruh Produk


