

PRICE STRATEGY AND SERVICE QUALITY AFFECTING REPURCHASE

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Abstract

The purpose of this paper is to measure how strong price strategy and service quality can affect service repurchase of intense pulsed light (IPL) beauty treatment at Edeva Beauty Clinic of Tasikmalaya, also to find out what aspects of price strategy and service quality to be the strongest in affecting repurchase. All the data of this paper are analyzed by using structural equation model (SEM) based on structure covariance (lisrel). Price strategy is first independent variable (X1), service quality is second independent variable (X2), and repurchase is dependent variable (X3). Both independent variables, price strategy and service quality, affect repurchase of intense pulsed light treatment considerably. Although the price strategy has slightly weaker strength than service quality, consumers are willing to pay for the treatment at any price level. Edeva Beauty Clinic must maintain the price strategy and service quality which they make time to time, because the consumers are still sensitive to price and will not hesitate to move to competitor whenever they give nice offerings. This paper can be used by companies to determine what they should do to get constant product repurchase from consumers eventhough the companies work in different field of business.

Keywords: Price, Service, Repurchase

Introduction

Nowadays, to become healthy is not easy. Plianbangchang (2018) said that it is not yet possible for everyone to enjoy complete physical, mental, and social wellbeing for many factors. Regarding health issue, in Indonesia there's a shifting of lifestyle within society, especially young people who become more aware of facial skin health. In this case, facial skin treatment that cannot be divided from beauty. Even according to ZAP Beauty Index, generation Z spend money mostly on beauty treatment. So we can see that health issue in Indonesia is market opportunity, especially facial skincare. Goh & Noor (2019) said that global skincare market is expected to reach \$179 billion by 2022 with 4.7% growth from 2016 to 2022. With this number, facial skincare becomes one of the most promising industry. Indonesians become more aware about the importance of facial skin health, because face affects looks, and look is important because it reflects one's self.

Upon seeing major cities in Indonesia, like Bandung, facial skin health business grows well in the forms of various beauty clinics that offer many types of facial skin health treatments. Consumers of these beauty clinics are dominated by women, but men slowly start to use those same facial skin health treatments. Zap Beauty Index with MarkPlus.Inc reported that only 0.3% women of Indonesia who don't do treatments in beauty clinics, meanwhile most women do treatment regularly from teenagers to 35 years old. ZAP Beauty Index and MarkPlus.Inc also said that 76.0% women in Indonesia choose facial treatments that utilize laser, and they choose to do treatment in beauty clinics rather than ordinary salons.

It is very easy to analyze beauty industry in major cities, that's why this research is conducted in a not famous city but has potentials in the future. Using proper data, the following are several major cities around Bandung with their populations.

Table 1. Districts Potentials

No	District	Size (km)	Women Numbers	Productive Aged Women (23-38 years old) 54.3%	Women of Gen. Z (13-22 years old) 42.9%
1	Bandung	1.762	24.354.011	13.224.228	10.447.871
2	Bogor	2.664	2.920.236	1.585.688	1.252.781
3	Cianjur	3.614	1.162.586	631.284	498.749
4	Garut	3.614	1.319.079	716.260	565.885
5	Kuningan	2.040	537.389	291.802	230.540
6	Sukabumi	4.162	1.218.002	661.375	522.523
7	Tasikmalaya	2.709	886.234	481.225	380.194

Tasikmalaya is currently building and open to investors, that's why the city is chosen for this research. From survey, beauty clinic consumers mention about an underdog clinic but recommended, which is Edeva Clinic. Consumers use IPL (intense pulsed light) treatment to erase acne stains by using laser shots. Strategy implemented by the clinic to create repurchase is around price, and service quality.

Literature Review

Price strategy definition. Researchers like Nagle et al., (2016) said that price strategy design is important, must align with company purposes, market situations, and fleksibility. Paper by Cataluna & Perez (2018) explains that price strategies are around fixed or variable prices, discounts, and price for professionals. According to Sudaryono (2016;217), price is part of marketing mix and marketing planning will determine product positioning and profits. From those researchers, we understand that price strategy is policies made by companies to attach selling values that consumers must pay in exchange for products.

Service quality definition. In his books, Fandy Tjiptono (2019;234) defines service as activity sold to consumers. Meanwhile quality according to Sunyoto (2015:284) is degree in which a number of activities fulfill the required needs or wants. From this combination, service quality is degree of activity competence to fulfill consumers needs.

Repurchase definition. Generally, repurchase means consumer behaviour to purchase product again. Hasan (2013:89) explains the secret to win competition is ability to deliver consumers satisfaction through product quality and competitive price. Satisfaction will lead consumers to repeat purchases and recommend the product to others.

Research Methods

Sample for this paper is purposive sampling consisting 317 people. Data are collected with questionnaires, interview, and visual observation. Validity is measured with pearson product moment formula, reliability is measured with alpha Cronbach.

X1 is price strategy, X2 is service quality, Y is IPL repurchase. After spreading questionnaires to 317 consumers, all variables were ordinals and must be upgraded to interval with method of successive intervals. Data are calculated using structural equation model (SEM) through following steps

Model Specification

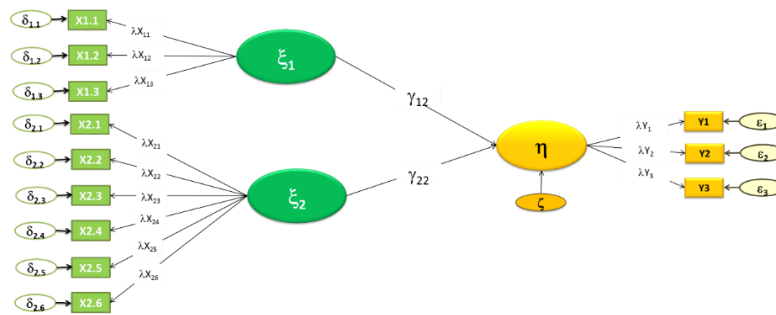


Figure 1. Model Specification Through Path Diagram

Model Identification.

Estimatable model must have degree of freedom ≥ 0 and measured with formula as follows.

$$df = p \left(\frac{p+1}{2} \right) - t \tag{1}$$

Based on the output of estimation there are no offending estimates from the model. It means the model can be used and already justified by using adequate theory.

Model Estimation

For data with normal distribution, estimation is calculated with maximum likelihood. But if the data deviates, the estimation must be done with robust maximum likelihood.

Model evaluation.

Evaluation model includes indicators validity and reliability. Validity as loading factor is measured with this formula.

$$\lambda_{ij}^s = \lambda_{ij} \left[\frac{\varphi_{jj}}{\sigma^2(x_i)} \right]^{\frac{1}{2}} \tag{2}$$

Meanwhile, reliability for each indicator is calculated with following formula.

$$R_{x_i}^2 = \frac{\lambda_i^2}{\lambda_i^2 + \sigma^2(\delta_i^2)} \tag{3}$$

Evaluation of this model is testing hypothesis with t student, hypothesis 0 is rejected if t count is more than t table.

- Hypothesis 1 is price strategy affect repurchase partially, H0 = price strategy does not significantly affect repurchase, H1 = price strategy affects repurchase significantly.
- Hypothesis 2 is service quality affects repurchase partially, H0 = service quality does not affect repurchase significantly and partially, H1 = service quality affects repurchase significantly and partially.
- Hypothesis 3 is price strategy and service quality affect repurchase simultaneously, H0 = price strategy and service quality do not affect repurchase significantly, H1 = price strategy and service quality affect repurchase significantly.

Result and Discussion

Through lisrel calculations, price strategy (X1) affects repurchase (Y) partially, the number is not significant because consumers have such income, they do not consider price seriously. Service quality (X2) affects repurchase significantly because all qualities around features, fitness to cost and use come to consumers' liking. Thus hypothesis 1 and 2 are accepted.

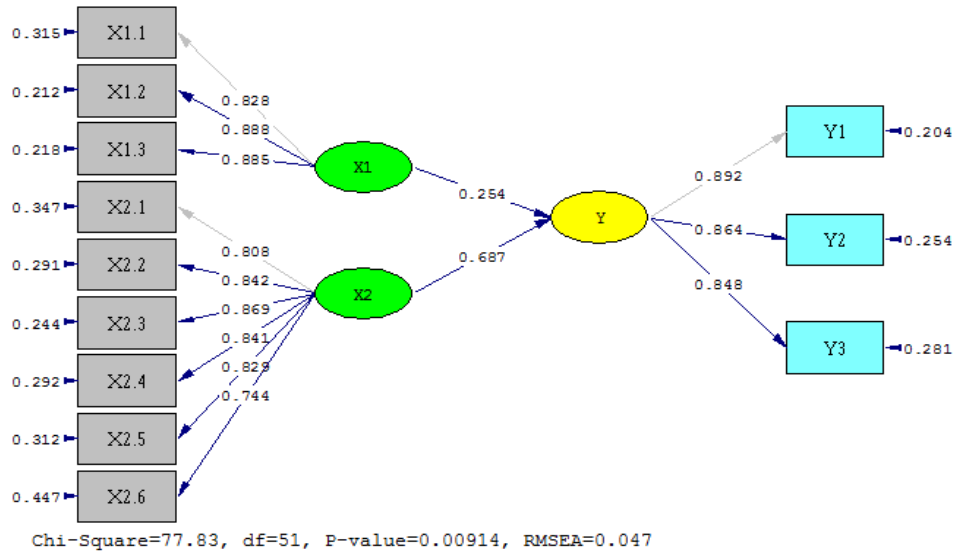


Figure 2. Estimated Standardized Loading Factors

Table 2. Standardized Loading Factors & Construct Reliability

Latent Construct	Observed Variables	Standardized Loading Factor (SLF)	Sum of SLF	Measurement Error (ME)	Sum of ME	Construct Reliability	Squared SLF	Sum of Squared SLF	Average Variance Extracted
Price Strategy (X ₁)	X1.1	0.828	2.601	0.314	0.743	0.901	0.686	2.257	0.752
	X1.2	0.888		0.211			0.789		
	X1.3	0.885		0.217			0.783		
Service Quality (X ₂)	X2.1	0.808	4.933	0.347	1.935	0.926	0.653	4.065	0.678
	X2.2	0.842		0.291			0.709		
	X2.3	0.869		0.245			0.755		
	X2.4	0.841		0.293			0.707		
	X2.5	0.829		0.313			0.687		
	X2.6	0.744		0.446			0.554		
Repurchase (Y)	Y1	0.892	2.604	0.204	0.739	0.902	0.796	2.261	0.754
	Y2	0.864		0.254			0.746		
	Y3	0.848		0.281			0.719		

Hypothesis 3 as follows are calculated with this formula:

$$F_{Calculate} = \frac{(n-k-1)R^2(i,j)}{k(1-R^2(i,j))} \tag{5}$$

- H0: price strategy (X1) and service quality (X2) do not affect repurchase (Y).
 H3: price strategy (X1) and service quality (X2) affect repurchase (Y).

Table 3. R Square and F-Calculate X1 & X2 -> Y

X ₁ & X ₂ -> Y	R Square	F-Calculate	F-table	Conclusion
	0.893	1310.290	3.024	H0 rejected

Because F calculate (1310.290) exceeds F table (3.024), H₃ is accepted. It means price strategy and service quality affect significantly and simultaneously to repurchase. All variables fulfill all indicators according to consumers.

Discussion

Consumers perceptions about price and service quality of IPL at Edeva Beauty Clinic. Respondents, in this case, are Edeva Beauty Clinic consumers have positive image towards the clinic. Within their mind, the clinic always gives services which hard to reject. Many of them also have strong needs to beauty treatment almost identical with primary needs, because most of consumers are teenagers, young ladies, and parents who consider that look is important aspects to their lifes and carrers.

Most respondents give positive answers to the three variables. For price strategy variables (X₁), respondents give the highest scores to dynamic pricing dimension in which it determines product bundling, discount, and competitors prices. For service quality (X₂), the highest scores is on conformance dimension which is about product fitness to use and fitness to cost. For repurchase (Y) the highest scores is on consumers commitment dimension which determines to consumers believe and image towards the clinic, and consumers selfwillingness to do treatments.

Price strategy to repurchase of IPL. When respondents have tendencies to give positive judgement toward the price of the products that the company gives, it means they are already on the same page with that price. When consumers are on the same page, there's big possibility they will repurchase the products that the company offers, and at the same time the companies had done its job well.

Service quality to repurchase of IPL. Respondents give another positive judgement to the given service quality. It means there's good chance they will buy the products again.

Consumers are satisfied with the price and IPL treatment which are offered by the clinic. So now we can accept all hypotheses:

- Price strategy and service quality significantly and simultaneously affect repurchase of IPL treatment.
- Price strategy affects significantly and partially to repurchase of IPL treatment.
- Service quality affects significantly and partially to repurchase of IPL treatment.

The consumers highlighted IPL price because it is lower than the competitors, and when IPL treatment is on progress, the clinic also gives facial treatment as bundled product. Such bundling adds up significantly to the value of money that consumers pay, they see this as beneficial and unique offers from the clinic. According to consumers, the competitors offer facial treatment and IPL separately and with much higher prices. This is one of few things that consumers praise to the clinic.

There are complaints about parking lot which is not very comfortable, consumers often make uncomfortable line of vehicles everytime they park there, and about their income which sometimes unpredictable. The result of this research recommends the clinic to maintain the IPL price which is relatively lower in comparison to competitors. Most consumers satisfy because they think IPL price in that clinic is more affordable than the competitors.

Ghorbanzadeh and Rahehagh (2020) stated that satisfaction is not enough to form consumers loyalty to a brand. Udofia (2019) said that experiences and expectations of a customer perform satisfaction or dissatisfaction. Warnadi and Triyono (2019;36) explain there is indirect effect from satisfaction to loyalty. We can see that when consumers are satisfied with certain product, they will make emotional bond to the product which is the foundation of loyalty repurchase to that product.

Conclusion

After all theories and calculations, hypotheses become conclusions. We can now conclude that consumers are satisfied to Edeva Beauty Clinic as follows:

1. Price strategies and service qualities significantly and simultaneously affect IPL repurchase.
2. Price strategies significantly affect IPL repurchase partially.
3. Service quality significantly affect IPL repurchase partially.

Recommendations

Edeva Beauty Clinic must maintain the marketing strategies which already implemented, in this case is the pricing strategies and service qualities. Because consumers already see those two aspects as strong trademarks that make Edeva Clinic to be different from the competitors. We also must strongly consider about experts' theories in which they explain that satisfaction does not directly lead to loyalty. Eventhough Edeva Beauty Clinic's consumers are mostly satisfied by clinic's services, they are sensitive to prices and will move to competitors if Edeva Clinic fails to maintain the price strategies and service qualities.

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