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**PRODUCT CONTRIBUTION, PRICE, QUALITY OF SERVICE TO PURCHASING DECISIONS THROUGH CUSTOMER SATISFACTION IN SALES OF USED CARS IN BATAM CITY**

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**ABSTRACT**

In Batam City, there are many used car sales showrooms and try to increase car sales. However, there are still many obstacles faced, even though they have a reliable appraisal team. However, sometimes there are always cars with poor quality, for example, there is oil seeping from the engine, the existence of a brake canvas that already thin and many others, but the buying and selling of used cars are still growing its community, for this phenomenon is interesting to do research. Researchers used data processing using SEM with AMOS version 24 software, the sample of respondents amounted to 190. The square multiple correlation values of the product, price, quality of service, and customer satisfaction shows 53.6%. Thus, it can be stated that product contributions determine changes in purchasing decisions, price, quality of service, and customer satisfaction, amounting to 53.6%; the remaining 46.7% is the contribution of other variables that have not been included in this study. The contribution of products determines changes in purchasing decisions, prices, quality of service, and customer satisfaction in a variety of significant positive and not significant, but the contribution of each in a square multiple correlation remains above 50%; this shows the research model is quite good

**KEYWORDS:** products, prices, quality of service, customer satisfaction, purchasing decisions

**1. PRELIMINARY**

**a. Background**

In the current era of globalization, competition in the automotive industry is very tight, as evidenced by the number of car brands on the highway. With so many brands that exist, making the company try to how to be superior to its competitors. This condition causes motor vehicle companies to compete with several brands by making their vehicles superior to other vehicles whose purpose is to fight for customers. Because customers at this time tend to be more critical, and they have many choices to choose a car that suits their expectations.

The car is an essential means of transportation used by humans to deliver people or goods from one place to another. That requires a vehicle with a powerful engine, a good model, an affordable price so that the car is in demand in the market (David W Cravens, 1996). Aside from being a means of transportation, the vehicle is now also functioning as a symbol of social status, and as a complement to the appearance or fashion of its owner. Therefore, car manufacturers have to make car products that have at least three of the above functions. All manufacturers are currently competing to offer products

by offering a variety of attractions embedded in the cars they sell. Each manufacturer and distributor competed in delivering ownership of the appeal of their vehicles. Companies must be able to recognize what the needs and expectations of consumers, because consumers in buying products have gone through a process or stages first before purchasing a product. Consumer behavior is a significant phenomenon in corporate marketing activities or consumer behavior in making purchases. In Batam City, there are many used car sales showrooms and try to increase car sales. However, there are still many obstacles faced, even though they have a reliable appraisal team. However, sometimes there are always cars with poor quality; for example, there is oil seeping from the engine, the existence of a brake canvas that already thin, and many others. because consumers in buying products have gone through a process or stages before purchasing a product. Consumer behavior is a significant phenomenon in corporate marketing activities or consumer behavior in making purchases. In Batam City, there are many used car sales showrooms and try to increase their car sales. However, there are still many obstacles faced, even though they have a reliable appraisal team. However, sometimes they always get cars with rather poor quality; for example, there is the oil that seeps from the engine, a brake canvas that is already thin, and many others. because consumers in buying products have gone through a process or stages before purchasing a product. Consumer behavior is a significant phenomenon in corporate marketing activities or consumer behavior in making purchases. In Batam City, there are many used car sales showrooms and try to increase their car sales. However, there are still many obstacles faced, even though they have a reliable appraisal team. However, sometimes they always get cars with rather poor quality; for example, there is the oil that seeps from the engine, a brake canvas that is already thin, and many others.

Buying a car with an installment system is the right way for many people to have a dream vehicle. Moreover, for those who only have a limited pocket alias mediocre. Nowadays most people buy cars in installments rather than cash. Payment of a car is not only a car that has just a used car can also be repaid. But is the installment system the same? Buying a car in installments is more comfortable thanks to the number of finance or leasing companies. In modern times like today, it's not painful anymore for someone to have a private car. Owning an individual vehicle is no longer seen as a secondary need, but rather a primary one. No wonder more and more people are eager to buy a car. Also, installment purchases have increased.

#### **b. Formulation of The Problem**

The wording of the problem in research is as follows:

- a) Does the product contribute to customer satisfaction?
- b) Does price contribute to customer satisfaction?
- c) Does service quality contribute to customer satisfaction?
- d) Does the product contribute to the purchasing decision?
- e) Does price contribute to purchasing decisions?

- f) Does service quality contribute to purchasing decisions?
- g) Does customer satisfaction contribute to purchasing decisions?

## **2. THEORETICAL BASIS**

### **a) Product Theory**

According to Kotler (2010: 4), a product is anything that can be offered to the market to satisfy a desire or need, including physical goods, services, experiences, events, people, places, property, organizations, information, and ideas. So the product is not only in the form of something tangible, such as food, clothing, etc., but also something as intangible as a service. All are intended to satisfy the needs and desires (needs and wants) of consumers. Consumers not only buy products just to meet the requirements (needs) but also aim to satisfy their desires (wants). A product is something that is traded to benefit from the creativity of a person, marketing team, or company. Wijayanti (2012: 13). According to Kotler and Armstrong in Ginting (2011: 90), defining a product is anything that can be offered to the market for attention, acquisition, use, and consumption that can satisfy wants or needs. Products are more than items that can be measured. In a broad sense, the product includes physical goods, services, people, organizations, ideas, or a combination of all of them.

### **b) Price Theory**

According to Kotler and Armstrong (2012: 52), in the price variable, there are several main price activity elements, which include price levels, discounts, price discounts, and payment periods. According to Kotler and Armstrong (2008: 278), there are 4 (four) indicators that characterize prices, namely: affordability of prices, the suitability of prices with product quality, price competitiveness, the fitness of prices with benefits. And here, the researchers took 2 (two) price elements, namely: Price Levels and Discounted Prices. Price Level is a rate, which is a number that indicates value, price, speed of development, and production based on a particular unit of measure, insurance premium costs, or cost burden. Discounted price is a reduction in the amount given by the seller to the buyer as a tribute to a particular activity of the buyer that is pleasing to the seller. Usually, these discounts are manifested in the form of cash or goods and are intended to attract consumers. There are four types of rebates, namely quantity discounts, seasonal discounts, cash discounts, and trade discounts.

### **c) Service Quality Theory**

Service quality is the evaluation of a customer's long-term observation of the delivery of a company's services (Lovelock and Wright, 2007: 96). The definition of service quality is the magnitude of the difference between customer expectations or desires with their level of perception (Laksana, 2008: 88). According to Kotler and Keller (2009: 50), service quality is a statement of attitude towards the comparison between expectations and performance. Meanwhile, according to Lovelock et al. (2010: 154), service quality is something that consistently meets or exceeds customer expectations. Also, according to Ratnasari and Aksa (2011: 107), service quality is how far the difference between reality

and customer expectations for the service received/obtained. The quality of service is very dependent on the ability of employees to provide services. This gives a picture that the quality of service includes employees who provide services to customers. Internal relations between employees and customers will have a powerful influence on perceived service quality. This shows that the ability of employees is very influential in customer perceptions in assessing service quality (Laksana, 2008: 95).

#### **d) Customer Satisfaction Theory**

Satisfaction is a feeling of pleasure or disappointment someone who appears after comparing the performance (results) of the product being thought against the expected performance (or results). If the performance is below expectations, the customer is not satisfied. If performance meets expectations, the customer is satisfied. If performance exceeds expectations, the customer is very satisfied or happy (Kotler 2007: 177). So, satisfaction is a function of perception or impression of performance and expectations. If performance is below expectations, the customer is not satisfied. If performance meets expectations, the customer will be satisfied. If the performance exceeds expectations, the customer will be very satisfied or happy. According to Lovelock and Wirtz (2011: 74), "Satisfaction is an attitude that is decided based on the experience gained. Satisfaction is an assessment of the characteristics or features of a product or service, or the product itself, which provides a level of consumer pleasure related to the fulfillment of consumer consumption needs. Consumer satisfaction can be created through quality, service, and value. The key to achieving customer loyalty is to provide high customer value. According to Kotler & Armstrong (2012: 36), customer value is the ratio of customers between all profits and all costs that must be incurred to receive the offer given. Total customer costs are a group of costs used in assessing, obtaining, and using products or services. Because customer satisfaction is very dependent on customer perceptions and expectations, then as a supplier of the product needs to know the factors that influence it. or the product itself, which provides the level of consumer pleasure associated with meeting consumer consumption needs. Consumer satisfaction can be created through quality, service, and value. The key to achieving customer loyalty is to provide high customer value. According to Kotler & Armstrong (2012: 36), customer value is the ratio of customers between all profits and all costs that must be incurred to receive the offer given. Total customer costs are a group of costs used in assessing, obtaining, and using products or services. Because customer satisfaction is very dependent on customer perceptions and expectations, then as a supplier of the product needs to know

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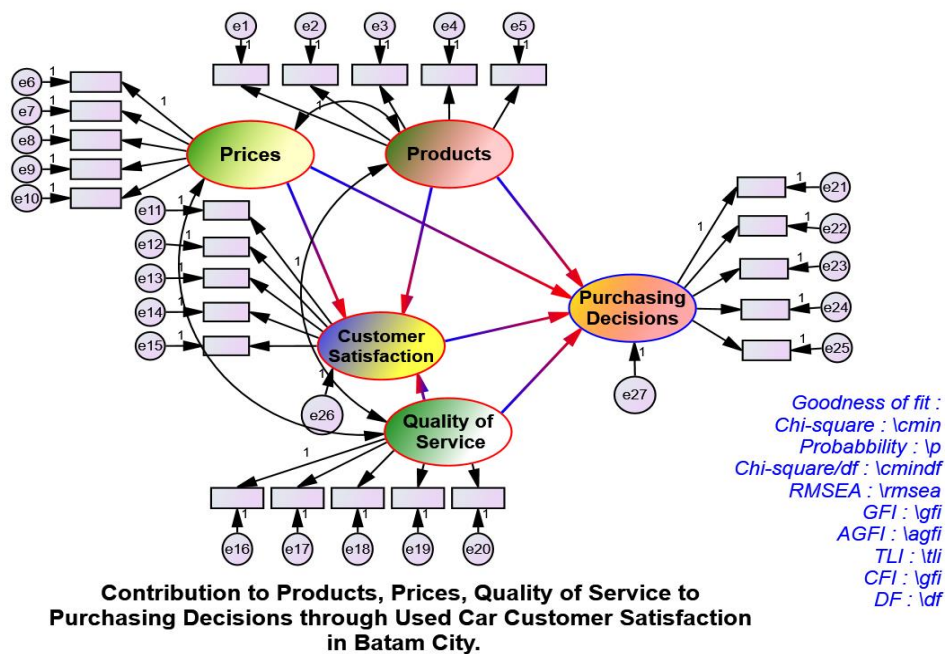
#### **e) Purchasing Decision Theory**

According to Schiffman and Kanuk, the decision is the choice of an action from two or more options (Sangadji and Sopiah, 2013: 120). The decision is a process of tracing a problem that starts from the background of the problem, identification of the problem to the formation of conclusions or recommendations (Fahmi, 2016: 56). According to Peter and Olson in Sangadji (2013: 332), consumer decision making is a problem-solving process directed at the target. More complete, Peter and Olson in Sangadji (2013: 332), states that the core of consumer decision making is the integration process

that combines knowledge to evaluate two or more alternative behaviors and choose one of them. Purchase decisions, according to Kotler and Armstrong in Defriansyah (2016), is the act of the consumer to want to buy or not to the product. Consumer decision making includes all the processes that consumers go through to identify problems, find solutions, evaluate alternatives, and choose between choices. According to Abdullah and Tantri (2012: 134) buyer behavior is influenced by four main factors: culture (culture, Subculture, and social class), social (reference group, family and role, and status), personal (age and life cycle stage, work, economic conditions, lifestyle and personality, and self-concept), and psychological (motivation, perception, knowledge and beliefs and attitudes). Marketers must explore various influences on buyers and develop an understanding of how consumers make their buying decisions.

**f) Framework for Thinking**

**Figure 1.**



**g) Hypothesis**

Conditional statements (provisional) which are allegations or guesses about what researchers observe to understand them. A thesis must show a clear structure so that it is easy to know the type of the variable and the direction of the relationship between variables, whether positive or negative, temporary answers to research problems, are as follows:

1. The product contributes to customer satisfaction
2. Prices contribute to customer satisfaction
3. Quality of service contributes to customer satisfaction
4. The product contributes to the purchase decision
5. Prices contribute to purchasing decisions
6. Quality of service contributes to purchasing decisions
7. Customer satisfaction contributes to purchasing decisions

### 3. RESEARCH METHODS

The location of this research was conducted at All Used Car Sales Dealers in Batam City, Batam city

#### a) Population

The population is a generalization of all subjects and objects of existing research. The community in this study were all customers of all used car dealers in Batam City, Batam City, from January 2020 to March 2020, amounting to 190 Customers (Source, Batam Used Car Sales Forum)

#### b) Sample

Withdrawal of sample members by sampling technique, the results are expected to be representative of the characteristics of the study population (representative). Researchers used processed data using SEM with AMOS version 24 software, which states that for optimal data collection is using samples from 100-200 samples. In this study, the researchers used the census method, so that respondents who numbered 190, respondents had to fill out questionnaires that had been distributed.

#### c) Data collection technique

For the analysis of the problem under study, the data collection is carried out using techniques:

1. Interview Techniques, namely question and answer directly to the parties concerned to obtain the desired data and information.
2. Spread the questionnaire that contains questions from each research variable, where the number of items from each of these variables is five questions. Then the questions are weighted based on a Likert scale with a weighting of values 1 to 5.
3. Document Studies, namely studying and observing data or reports contained in the Forum for Buying and Selling Used Cars in Batam

#### d) Research Variable

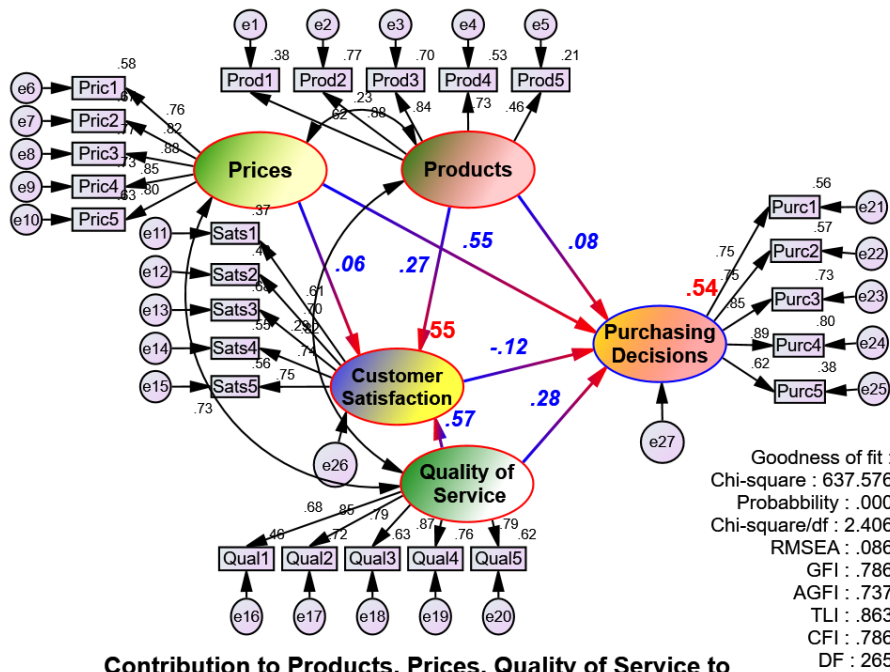
This research was conducted using three exogenous variables, namely product (X1), price (X2) quality of service (X3), customer satisfaction (Y) as an intervening variable, one endogenous variable in a buying decision (Y).

**e) Data Analysis Technique**

The analysis used by researchers in this study is path analysis by describing a flow chart that can make it easier to see the relationships to be tested. Data analysis was carried out using the Structural Equation Modeling (SEM) method, and the software used for structural analysis was Amos version 24 of Arbuckle and for descriptive using SPSS 24. In this step, the suitability of the model was evaluated through the examination of various Goodness of Fit criteria. For this reason, the first step taken is to assess whether the data used can meet the SEM assumptions. If these assumptions are met, the model can be tested.

**4. DISCUSSION**

**Figure 2**



**Contribution to Products, Prices, Quality of Service to Purchasing Decisions through Used Car Customer Satisfaction in Batam City.**

**Table 1**  
**Maximum Likelihood Estimates**  
**Regression Weights: (Group number 1 - Default model)**



	Estimate	SE	CR	P.	Label
Sats <--- Prod	.172	.048	3,563	***	par_5
Sats <--- Pric	.037	.063	.595	.552	par_23
Sats <--- Qual	.543	.118	4,589	***	par_30
Purc <--- Prod	.070	.062	1,122	.262	par_1
Purc <--- Sats	-.165	.143	-1.154	.249	par_2
Purc <--- Qual	.370	.159	2,335	.020	par_3
Purc <--- Pric	.476	.93	5,132	***	par_4

**Table 2**  
**Standardized Regression Weights: (Group number 1 - Default model)**

	Estimate
Sats <--- Prod	.269
Sats <--- Price	.059
Sats <--- Qual	.574
Purc <--- Prod	.079
Purc <--- Sats	-.119
Purc <--- Qual	.283
Purc <--- Pric	.548

**Table 3**  
**Squared Multiple Correlations: (Group number 1 - Default model)**

	Estimate
Sats	.552
Purc	.536

**The goodness of Fit Analysis**

Based on test criteria, Chi-square ( $\chi^2$ ), Relative Chi-square ( $\chi^2/ Df$ ), RMSEA, GFI, AGFI, TLI, and CFI above and Goodness of Fit values Amos processing results as shown in the figure above, it can be prepared the following table.

**Table 4 Evaluation of Goodness of Fit**

A Goodness of Fit Index	Cut-of-Value	Results Model	Information
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Chi-square ( $\chi^2$ )	Small expected	637,576	Good
Chi-square Relative ( $\chi^2/ Df$ )	$\leq 3,00$	2,406	Good
Probability	$> 0.05$	0.00	Not good
RMSEA	$\leq 0:08$	0.086	Good
GFI	$\geq 0.90$	0.786	Marginal
AGFI	$\geq 0.90$	0.737	Not good
TLI	$\geq 0.94$	0863	Not Good
CFI	$\geq 0.94$	0.265	Not good

Source: Research Findings, 2020

By paying attention to the cut-of-value and goodness of fit, the results model in the Table above shows the seven criteria that are met; eight tests were used. The requirements are met by the Chi-square ( $\chi^2$ ), Relative Chi-square ( $\chi^2/ Df$ ) RMSEA, GFI, TLI, AGFI, and CFI. Because seven of the eight criteria are met the required standards, the models can be Expressed as a good model of (Solimun, 2002: 80 and Solimun, 2004: 71).

After the discussion of theory and research, then the results of this study can be described as follows:

1) Contribution Product latent variables to Customer Satisfaction latent variables have a standardized estimate (regression weight) of 0.269 with Cr (Critical ratio = identical to the t-value) of 3,563 at probability = \*\*\*. CR value  $3.563 > 2,000$  and Probability = \*\*\*  $< 0.05$  indicates that the latency variable Product to the latent variable Customer Satisfaction is significantly positive. The results of this study prove the truth of the theory, which says that a product is something that is traded to benefit from something that results from the creativity of a person, marketing team, or company. Wijayanti (2012: 13). Used cars are upgraded to look like new to get benefits for used car salons, satisfied customers for a while.

2) The contribution of the latent variable Price to the latent variable Customer Satisfaction has a standardized estimate (regression weight) of 0.059 with Cr (Critical ratio = identical to the t-value) of 0.595 at a probability = 0.552. CR value of  $0.595 < 2,000$  and Probability =  $0.552 > 0.05$  indicates that the contribution of the latent variable Price to the latent variable Customer Satisfaction is positively insignificant. This finding is not following the theory, according to Fandy Tjiptono (2008: 151) states that "Price is the only element of the marketing mix that provides income or income for the company." Meanwhile according to Kotler &

3) The contribution of the latent variable Quality of Service to Customer Satisfaction has a standardized estimate (regression weight) of 0.574 with a Cr (Critical ratio = identical to the t-value) of 4.436 at probability = \*\*\*, CR value =  $4,589 > 2,000$  and Probability = \*\*\*  $< 0.05$  indicates that the

contribution of the Quality of Service latent variable to the Customer Satisfaction latent variable is significantly positive. This finding corroborates the theory, which states that in general, customer expectations are estimates or customer beliefs about what will be received if he buys or consumes a product both goods and services. While the performance or results received after consuming the product purchased. For this reason, management must have the same perception as customers to obtain results that exceed or are at least the same as customer expectations (Laksana, 2008: 96). The behavior and use of used car products are largely determined by marketing expertise in luring customers to buy the products offered.

4) The contribution of the Products latent variable to the Purchasing Decisions latent variable has a standardized estimate (regression weight) of 0.079 with a Cr (Critical ratio = identical to the t-value) of 1.122 at a probability = 0.262. CR value 1.122 <2,000 and Probability = 0.262> 0.05 indicates that the contribution of the Product latent variable to the latent variable Purchasing Decisions is positively insignificant. This finding is not following the theory, which states that product quality is the ability of a product to carry out its functions, including durability, reliability, accuracy, ease of operation and repair, as well as other valuable attributes. Product quality is an understanding that the product is an opportunity offered by the seller to have more selling value that is not owned by competing products (Kotler and Armstrong, 2012: 283). Empirically there are qualitative used car products that make up used cars to make it look attractive. Still, not that is just a polish to look beautiful and purchased by customers, therefore for experienced customers, a product that is evaluated for quality is not necessarily a purchasing decision.

5) Contribution of latent variables Customer Satisfaction of latent variables Purchasing Decisions have a standardized estimate (regression weight) of -.119, with Cr (Critical ratio = identical to the t-value) of -1.154 at probability = 0.249. The value of CR -1.154 <2,000 and Probability = 0.249> 0.05 indicates that the contribution of latent variables customer Satisfaction the Purchasing Decisions variable is not significantly negative. This research is not following the theory, which states that customer Buyer' decisions are assets and have an essential role in the company. According to Griffin, "Loyalty is defined as non random purchases expressed over time by some decision-making units." Based on this understanding, the Buyer's Decision refers more to the manifestation of the behavior of the decision-making units to make continuous purchases of goods or services of a company. The relevance of the Buyer's Decision to customer satisfaction is one thing that is very closely related. Customer buyer decisions appear due to satisfaction in using a company's products or services. (Hurriyati, 2008: 129). Used car customer satisfaction is temporary, not real; satisfaction is obtained because of the appearance of used car products that are polished to attract buyers,

6) Contribution of latent variables Quality of Service of latent variables Purchasing Decisions have a standardized estimate (regression weight) of 0.283, with Cr (Critical ratio = identical to the t-value)

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of 2.335 at probability = 0.020. CR value  $2.335 > 2,000$  and Probability =  $0.020 > 0.05$  indicates that the contribution of the latent variable quality of Service on the latent variable Purchasing Decisions is significantly positive. This finding corroborates the theory, which states that service quality is highly dependent on the ability of employees to provide services. This illustrates that service quality includes employees who provide services to customers. Internal relations between employees and customers will have a powerful influence on perceived service quality. This shows that the ability of employees is very influential in customer perceptions in assessing service quality (Laksana, 2008: 95).

7) The contribution of the latent variable Price to the latent variable Purchasing Decisions has a standardized estimate (regression weight) of 0.548 with a Cr (Critical ratio = identical to the t-value) of 5.132 at probability = \*\*\*, CR value of  $5.132 > 2,000$  and Probability = \* \*\*  $< 0.05$  indicates that the Price Contribution to the latent variable Purchasing Decisions is significantly positive. This research proves the truth of the theory as follows: the ability to survive companies pursue the ability to survive as their primary goal if they experience excess capacity, intense competition, or changing consumer desires. As prices cover variable costs and fixed costs, the company remains in business. The current maximum profit, many companies try to set prices that will maximize current profits. The company estimates the demand and costs associated with alternative rates and chooses the amount that generates current profit, cash flow, or high return on investment. The maximum market share, the company believes that the higher the sales volume, the lower unit costs, and the higher long-term profits. The company sets the most economical price assuming the market is price sensitive. (Kotler and Keller, 2009: 76) The selling price of used cars is interesting to study because it is varied (unique). Purchase. Or high return on maximum investment. The maximum market share, the company believes that the higher the sales volume, the lower unit costs, and the higher long-term profits. The company sets the most economical price assuming the market is price sensitive. (Kotler and Keller, 2009: 76) The selling price of used cars is interesting to study because it is varied (unique), not a fixed price depending on the expertise in bidding, so prices make a significant contribution to the decision purchase. Or high return on maximum investment. The maximum market share, the company believes that the higher the sales volume, the lower unit costs, and the higher long-term profits. The company sets the most economical price assuming the market is price sensitive. (Kotler and Keller, 2009: 76) The selling price of used cars is interesting to study because it is varied (unique). Purchase.

8) Squared Multiple Correlation value for Customer Satisfaction variable shows the number  $0.552 = 0.552 \times 100\% = 55.20\%$ . Thus it can be stated that changes in Customer Satisfaction are Contributions of Product, Price, and Quality of Service by 55.20%. The ratio of  $100\% - 55.20\% = 44.8\%$  is the contribution of other variables that have not been included in this study. The value of Square Multiple Correlation Products, Price, Quality of Service and Customer Satisfaction, shows the number  $0.536 = 0.536 \times 100\% = 53.6\%$ . Thus it can be stated that changes in Purchasing Decisions are determined by Product Contribution, Price, Quality of Service, and Customer Satisfaction amounting to 53.6%, the

ratio =  $100\% - 53.6\% = 46.7\%$  is the contribution of other variables that have not been included in this research. Although the contribution of each variable gives the amount of Customer Satisfaction is the Contribution of Product, Price, and Quality of Service and that changes in Purchasing Decisions are determined by the Contribution of Product, Price, Quality of Service and Customer Satisfaction in a variety of positive significant and not significant, but the contribution of each in the Squared Multiple Correlation remains above 50%,

## 5. CONCLUSION:

After the discussion of theory and research, then the results of this study can be concluded as follows:

- a) Contribution Product latent variables to Customer Satisfaction latent variables are significantly positive.
- b) The contribution of Price latent variables to the Customer Satisfaction latent variable is not significant positive.
- c) The contribution of latent variables Quality of Service to Customer Satisfaction is significantly positive.
- d) The contribution of the Products latent variable to the Purchasing Decisions latent variable is positively insignificant.
- e) Contribution of latent variables Customer Satisfaction the latent variable Purchasing Decisions is insignificant negative.
- f) Contribution of latent variables Quality of Service on the latent variable Purchasing Decisions is significantly positive.
- g) The contribution of Price latent variables to the positive variable Purchasing Decisions latent is significant.
- h) Squared Multiple Correlation value for Customer Satisfaction variable shows the number  $0.552 = 0.552 \times 100\% = 55.20\%$ . Thus it can be stated that changes in Customer Satisfaction are Contributions of Product, Price, and Quality of Service by 55.20%. The ratio of  $100\% - 55.20\% = 44.8\%$  is the contribution of other variables that have not been included in this study.
- i) The value of Square Multiple Correlation Products, Price, Quality of Service and Customer Satisfaction, shows the number  $0.536 = 0.536 \times 100\% = 53.6\%$ . Thus it can be stated that changes in Purchasing Decisions are determined by Product Contribution, Price, Quality of Service, and Customer Satisfaction amounting to 53.6%, the ratio =  $100\% - 53.6\% = 46.7\%$  is the contribution of other variables that have not been included in this research.

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