

# EFFECT OF PERCEPTION OF PRICE, PERCEPTION OF PRODUCT QUALITY, AND CUSTOMER RELATIONSHIP MANAGEMENT, TOWARDS KFC CUSTOMER SATISFACTION IN SURABAYA

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## ABSTRACT

Culinary business growth in Indonesia has been increasingly in recent years, some have tried their fortune again in building a culinary business as before but with different concepts, and some continue to innovate in the type of food, how to serve food, using technology to be closer to consumers, so that it is not eroded and always survive amid fierce competition. The purpose of this research is to find out whether perception of price, perception of product quality, customer relationship management can increase customer satisfaction.

The population in this study is KFC Restaurant Managers in Surabaya, Indonesia, 17 respondents. The type of data used are primary data with questionnaires. The analytical tool used is the path analysis. Results from this study are: the perception of price affect toward customer satisfaction, customer relationship management affect toward customer satisfaction, and surprisingly perceptive of product quality doesn't affect toward customer satisfaction

Keywords: KFC fast food restaurant, perception of price, perception of product quality, customer relationship management

## 1. INTRODUCTION

Fast food service restaurants have long had their own unique where each of them gave each other advantages in the culinary business strategy. Various types of fast food service restaurants in Indonesia, A & W, Mc Donald's, Kentucky Fried Chicken, Texas Fried Chicken and many others. In this modern era, if it only competes with the advantages of fast food, it will quickly be eroded by changing times. Companies must be able to determine the right marketing strategy so that the business can survive and win the competition, so that the goals of the company can be achieved. The company is trying to establish a business and create types of products that will be favored by potential customers. So, fast food services now not only provide competitive prices, but also create food that was previously unthinkable in consumers' minds, the use of technology both in promotion and cooperation with various tenants. This is done by fast food service restaurants in addition to providing benefits for the company and also

satisfaction for customers which will continue to repurchase their products.

Tjiptono (2006) states that the occurrence of long-term partnerships with customers is continually expected to occur repeat business. The price given by fast food restaurants at this time is not only how much should be sacrificed by consumers to get products produced by fast food service, restaurants, where, according to Kotler and Armstrong (2001), the price is the amount of money exchanged for a product or service. In other words, price is the sum of all values that consumers exchange for the amount of benefits by owning or using an item and service. Many considerations are made by consumers before deciding to buy a product, for example, product quality, price, and advertising (Engel, 1994).

In order to get a satisfied customer in accordance with the wishes of the company, the company needs to use a strategy which creates a relationship between the company and the customer known as customer relationship management. In this strategy the company can understand customer expectations which is a very important factor, because a relationship-based approach to doing business is an understanding of what the customer really needs and wants and sees the customer as a long-term asset that will provide the continuously as long as their needs are met. At present, Customer Relationship Management has become the capital of the company to maintain and improve customer satisfaction in order to achieve long-term benefits. Where According to (Buttler: 2007), CRM is the core strategy in a business that runs internal processes and functions with all external networks to create value for target consumers profitably. CRM is supported by quality data and information technology.

In October 1979, the first KFC outlet in Jakarta was opened by PT. Fast Food Indonesia, which is one of Gelael Group and received a positive response, so that it can expand into various major cities in Indonesia, one of which is Surabaya. In realizing consumer satisfaction, KFC adds a strategy by using informatics-based technology, which enables KFC to manage its business in real time online systems in all Surabaya branches like consumers make offline purchases at this time. The objectives in this study are:

1. Knowing and explaining the effect of perception of price toward customer satisfaction
2. Knowing and explaining the effect of perception of product quality toward customer satisfaction

3. Knowing and explaining the effect of customer relationship management toward customer satisfaction

## 2. LITERATURE REVIEW AND HYPOTHESES

### 2.1 Perception Of Price

Price is the amount of money needed to obtain several combinations of products and accompanying services (Kotler and Keller, 2009). Prices depend on the company, but of course by considering various aspects. The size of a product is very relative in nature. Therefore, it needs to be compared first with the price of similar products produced and sold by other companies. In other words, companies must continue to monitor prices set by competitors so that the prices set by the company are not too high or vice versa. Price According to Tjiptono, 2008 is one element of the marketing mix that requires careful consideration. This is because there are a number of dimensions in the price:

1. Price is a statement of the value of a product, while value is the ratio between the perception of benefits and the costs incurred to get the product.
2. Price is the main influence of demand. The higher the price the less the number of requests for the product.
3. Prices are flexible, meaning they can be adjusted easily. Price is the most easily changed and adapted to market conditions.
4. Prices affect the valuation and placement. Consumers always associate prices with product quality.

The goal of price fixing is the company to survive, maximize current profits, market share leadership, or retain customers and build relationships. According to Kotler and Keller (2009) Price is one of the marketing elements that generates income.

### 2.2 Perception of Product Quality

According to Kotler and Armstrong (2008) product quality is a characteristic of a product or service that depends on its ability to satisfy customer needs that are expressed or implied. According to Kotler and Keller (2009), there are 4 dimensions of product quality that need attention:

1. Quality of performance, fundamental dimensions and related to the main function of a product.
2. Features, most products can be offered with a variety of features that are different but complete the basic functions of the product.
3. Quality of conformance (conformance quality), level of suitability and fulfillment of all units produced against specifications.
4. Style, this dimension describes the appearance and feeling that the product creates for consumers.

### 2.3 Customer Relationship Management

In doing marketing, companies do various ways to satisfy their customers. One of them is by conducting a customer relationship management strategy. The company believes, with a good relationship, the

company can know exactly what is the needs and desires of its customers. According to Kotler & Armstrong (2008) customer relationship management is an overall process to build and maintain relationships with consumers by conveying the superior value and customer satisfaction. According to Zinkmund, McLeod, & Gilbert (2002) stated that customer relationship management is a process of gathering information to improve understanding of how to manage corporate relationships with consumers. Customer relationship management is a business activity and uses technology to manage customer relationships in order to maximize revenue, profit, customer satisfaction, and consumer retention. Technology is used to create relationships with consumers and analyze in order to maximize long-term customer value so that the company can simultaneously maximize satisfaction for consumers. In terms of the concept of customer relationship management. Storbacka and Lehtinen (2001), there are three main concepts of CRM:

1. shape customer value. The goal is not to maximize profits from one transaction but rather to build long-term relationships with customers.
2. Products as a process, where the traditional differentiator between goods and services is meaningless. Products are seen as entities which include exchanging between service providers and customer processes.
3. Relate to the responsibility of the service provider, where this is not enough for the company to only be able to provide consumer needs and their satisfaction. A company building stronger relationships can only be done if it fulfills the responsibility to form relationships and offer customers the possibility to create value for themselves.

### 2.4 Customer Satisfaction

According to Kotler (2009), satisfaction is a person's level of feeling after comparing the performance or results he feels compared to his expectations (Kotler et al, 2000). Customer satisfaction with a product or service is actually something that is difficult to measure if the service company or industry does not really understand what is expected by consumers. For products or services of the same quality, it can provide different levels of satisfaction for different consumers. Therefore, according to Kotler (2009), there are four methods that can be used to measure customer satisfaction;

1. Complaints and suggestions system, a company that provides opportunities for its customers to express opinions and complaints for consumer-oriented companies.
2. Customer satisfaction surveys, companies need to conduct customer satisfaction surveys on the quality of services or products produced by the company. Through the survey, companies can find out the shortcomings and advantages of products or services produced, so that the company can immediately make improvements to things that are considered lacking by customers.
3. Analysis of lost customers, this method is done by contacting customers who have not visited for

a long time or made purchases again in the company because they have moved to competitors. In addition, the company can ask the reasons for the transfer of customers to competitors.

Bolton, Warlop and Alba (2003) argue that the perceived price perception as an assessment is obtained whether the results of or an item process are reasonable, acceptable, or appropriate. According to Lamb, Hair and Mc. Daniel (2004), the perception of the appropriate price influences positivity to customer satisfaction, customers are more interested in gaining a perception of a reasonable price, which means having the value that the customer wants when the transaction. Based on the description above, the hypothesis is stated:

H1: perception of price has a significant effect toward customer satisfaction.

Each consumer has a different perception of the quality of a product. The difference in perception of product quality is usually influenced by differences in information received by each consumer about the related product. If consumers perceive a product to be of good quality, it is likely that consumer satisfaction will arise. Yamin (2013) said that the perception of product quality has a significant effect on consumer satisfaction. The higher the perceived value of product quality, the higher the level of satisfaction perceived by consumers and vice versa. Sugianto and Sugiharto (2013) also stated similar things. Based on some of the results of the previous research, the hypothesis that appears as follows:

H2: perception of product quality has a significant effect toward customer satisfaction

CRM provides an encouragement to consumers to establish strong ties with the company. Some marketing experts reveal the relationship between CRM and customer satisfaction as follows: According to Gaffar (2007) revealed that CRM is a process by which a company obtains, maintains, and develops profitable customers and requires a focus on the attributes of a service that can produce value to customers. Can generate loyalty. The focus of CRM itself is to increase the level of customer satisfaction, customer loyalty, and revenue from existing customers in the face of high levels of competition, globalization and customer turnover and the development of customer acquisition costs. The goal is not to maximize profits from a single transaction but build long term relationships long with customers and improve customer satisfaction.

H3: Customer Relationship Management has a significant effect toward Customer Satisfaction

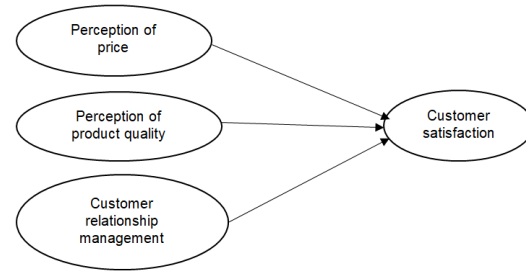


Figure.1 Conceptual Framework

## 4. RESEARCH METHODES

The population, according to Djarwanto and Subagyo (2003) is the sum of all objects (units / individuals) whose characteristics are to be suspected. According to Sugiyono (2008), "The population is the region of generalization consisting of objects / subjects that have certain qualities and characteristics. Determined by researchers to study and then draw conclusions. As for in this study, the population is 17 KFC fast food restaurants in Surabaya. While the analytical tools in this study are:

1. Validity and Reliability Test  
Validity test is used to determine whether a questionnaire is valid or not. A questionnaire was declared valid if the question in the questionnaire was able to reveal the results that the questionnaire would measure (Ghozali, 2006). To measure validity, corelation productt moment technique is used by correlating item scores with total scores. In testing this validity, the researcher uses 17 respondents and a significance level of 5% with the help of WarpPLS 6.0. Validity Testing, namely: If  $r \text{ counts} > r \text{ table}$ , it means there is a correlation between variables X and Y variables and said to be valid. If  $r \text{ count} < r \text{ table}$ , it means there is no correlation between variable X and variable Y and said to be invalid.
2. Reliability is actually a tool for measuring a questionnaire which is an indicator of a variable. A questionnaire is said to be reliable if someone's answer to the question is consistent or stable over time. A data said to be reliable, is a variable that has a Cronbach alpha value less than 0.6 (Ghozali, 2006). In this test, reliability testing is carried out using the alpha coefficient. Calculation of alpha coefficients utilizes WarpPLS 6.0 and critical limits for alpha values to indicate that a reliable questionnaire is 0.60. So the alpha coefficient value  $> 0.60$  is an indicator that the questionnaire is reliable.
3. Path Analysis  
This study used WarpPLS 6.0 to determine the effect of independent variables with the dependent variable. This test includes a t-test that is used to find out the magnitude of the balance of each variable on the dependent variable partially, the F-test, the coefficient of determination (R<sup>2</sup>) to determine how much the

dependent variable can be explained by the independent variables listed in this study.

4. Partial Test (t-test)  
This test is conducted to determine whether the constants and regression coefficients of independent variables are significant or not individually to customer satisfaction (Y). The trick is to compare the statistic count with table statistics.

- Determine the formula for Ho and Ha  
Ho:  $\beta = 0$ , there is no effect of independent variables on the dependent variable  
Ha:  $\beta > 0$ , there is a positive influence of the independent variable on the dependent variable
- Level of significant  $\alpha = 0.05$   
Test 1 side with t table = ( $\alpha, n-k, -1$ )
- Determine testing criteria  
Ho is accepted if t counts  $\alpha$  t table or - t counts > - t table  
Ho is rejected if t count  $\alpha$  t table or - t count < - t table

5. F-test (goodness of fit model)  
This test is carried to find out whether together independent variables affect the dependent variable. If together the independent variables influence the dependent variable which is indicated by the significance value of  $F < 0.05$ , the regression model is said to be good, on the contrary, if the independent variables together do not affect the dependent variable which is indicated by the significance value  $F > 0, 05$ , then the regression model is not good.

6. Coefficient Determination ( $R^2$ )  
Coefficient determination is used to explain the proportion of the dependent variable that can be explained by the independent variable. The coefficient of determination is between 0 and 1. The determination coefficient value is small, meaning that the price of the independent variable in explaining the dependent variable is very limited. The value that approaches one means that the independent variable provides almost all the information needed to predict the dependent variable.

## 5. RESULT AND DISCUSSION

### 5.1 Validity and Reliability Test

Validity testing results obtained that all indicators used to measure price perception variables, service quality, customer satisfaction and repurchase interest have r table for  $n = 17$  that is 0.455, so that all indicators are valid. Reliability testing is a test of the consistency of the results of the respondents' answers, whether consistent over time. Cronbach Alpha obtained a greater cronbach alpha count of 0.6. Thus, the reliability test results for all variables are reliable

### 5.2 Path Analysis

Path Analysis that has been done is obtained by regression coefficient, t-count value and level of significance as shown in the following table:

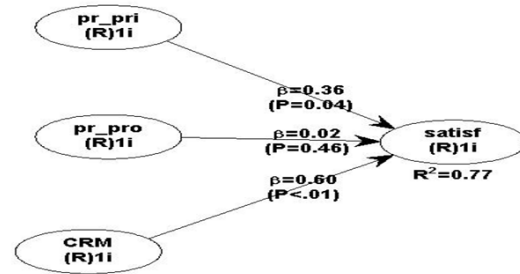


Figure 2. Coefficient of research model path

Table 1  
Path Coefficients

H	Relationship	Standarized coefficient	SE	P	Decision
H1	Pr_pri satisf	0.356	0.192	0.041	accepted
H2	Pr_pro satisf	0.024	0.239	0.461	rejected
H3	CRM satisf	0.605	0.163	0.000	accepted

### 5.3 Partial Test (t-test)

- a. Perception of price has a significant effect toward customer satisfaction  
Testing the price perception variable on customer satisfaction obtained t value of 0.356 with a significance level of 0.192. Because the significance value is 0.192 < 0.05, H0 is rejected and Ha is accepted. Thus the price perception variable has a positive and significant effect toward customer satisfaction. This means that H1 is accepted. The results of this test indicate that KFC customers in the city of Surabaya feel that the price of KFC products is in line with what is expected. The price of KFC products is generally feasible and can still be affordable and is comparable to the value of products obtained by consumers. This is one of the things that causes price perception to affect customer satisfaction.
- b. Perception of product quality has a significant effect toward customer satisfaction  
Testing of product quality perception variables on customer satisfaction obtained t

value of 0.024 with a significance level of 0.461. Because the significance value is  $0.461 > 0.05$ ,  $H_0$  is accepted and  $H_a$  is rejected. Thus the perception of product quality has no effect toward customer satisfaction. This means  $H_2$  is rejected. The insignificance of the influence of product quality on customer satisfaction in this study, shows that the quality of KFC products is standard, the quality of KFC products in each outlet in Surabaya is the same. Thus, customers feel satisfied when they first enjoy KFC products, and for subsequent purchases, the customer's perceived enjoyment is the same as the previous pleasure (no additional enjoyment).

This needs to be a concern of KFC management, where the KFC should always innovate the product and the quality of the product it has. We recommend that every certain period of KFC create different product and product quality from time to time.

- c. Customer relationship management has a significant effect toward customer satisfaction

Testing of Customer Relationship Management variables on customer satisfaction obtained t value of 0.605 with a significance level of 0.000. Because the significance value is  $0.000 < 0.05$ ,  $H_0$  is rejected and  $H_a$  is accepted. Thus Customer Relationship Management variables have a positive and significant effect toward customer satisfaction. This means that  $H_3$  is accepted. This test results informs that the KFC is already doing and run strategy, customer relationship management as well. This is proven by the existence of the online service, member card, and the presence of surprises provided KFC party on certain events, such as the awarding of the cake to the customer at the time were apparent birthday.

## 5.4 Coefficient Determination ( $R^2$ )

The coefficient of determination is indicated by the value of Adjusted R Square that is equal to 0.77 which shows that between price perception, product quality perception and customer relationship management together can explain customer satisfaction by 77 percent, while the rest is explained by other factors

## 6. SUMMARY

The test results show that the dominant factor influencing KFC fast food restaurant customer satisfaction is Customer Relationship Management, this is evidenced by the highest beta standardized coefficient value of 0.605. The second is price perception with a standardized beta coefficient of 0.356. Whereas the results of descriptive calculations

carried out on the research variables, indicate that both Customer Relationship Management variables and Price Perceptions are perceived as "high". While the perception of product quality is perceived as "low" by consumers.

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