THE CORRELATION BETWEEN SERVICE MARKETING MIX AND CUSTOMER LOYALTY

(Case study in PT. YQ TEK INDONESIA)

By

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RECOMMENDATION LETTER

This thesis entitled "**THE CORRELATION BETWEEN SERVICE MARKETING MIX AND CUSTOMER LOYALTY**" prepared and submitted by Wei Xiaoyi in partial fulfillment of the requirements for the degree of Bachelor of Marketing, has been reviewed and found to have satisfied the requirements for a thesis fit to be examined. I therefore recommend this thesis for ORAL DEFENCE.

Cikarang, Indonesia, December 2011

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The panel of examiners declares that the thesis entitled ' THE CORRELATION BETWEEN SERVICE MARKETING MIX AND CUSTOMER LOYALTY' that was submitted by WEI XIAOYI majoring in Management from the Faculty of E conomics was assessed and approved to have passed the oral examinations on 11 January 2012.

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DECLARATION OF ORIGINALITY

'I hereby declare that this submission is my own work and to the best of my knowledge it contains no materials previously published or written by another person, nor material which to a substantial extent has been accepted for the award of any other degree or diploma except where due acknowledgement is made in the thesis'

Cikarang, Indonesia, December 2011

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ABSTRACT

Service marketing mix is about "product, price, promotion, place, people, process, and physical environment". Service marketing mix is main part of marketing strategy.

This thesis aims to analyze PT. YQ TEK Indonesia current marketing mix from customer evaluation and find out the correlation between each service marketing mix element and customer loyalty of PT. YQ TEK Indonesia. Also this research aims to find out which element is more sensitive for customer loyalty.

This research uses questionnaire to gather data from company's current customers. Totally 48 questionnaires are distributed to the respondents.

After research, the researcher find that most of the respondents agree PT. YQ TEK Indonesia has appropriate product, reasonable price, attractive promotion, successful distribution system, high performance people and clear process. And the impact of service marketing mix concepts on customer loyalty rank: clear process, high performance people, appropriate product, successful distribution system, attractive promotion and reasonable price. To be more competitive and increase customer loyalty, the company needs to increase its service marketing six.

ACKNOWLEDGEMENT

During the process of writing this thesis, I received many help from many people. I would like to express my acknowledgement to all of you here.

Grateful acknowledgement is made to my mentor Mr. Vasu who gave me considerable help by means of suggestion, comments and criticism. His encouragement and unwavering support has sustained me through frustration and depression. Without his pushing me ahead, the completion of this thesis would be impossible. Also I would like to express my heartfelt gratitude to Mr. Suresh. , from whose devoted explaining I have benefited a lot about research methods for the thesis.

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INTRODUCTION

1.1 Background of the study

Attracted by Indonesian low labor cost, overflowing raw material and big
market, many foreign companies set up their assembly plants in Indonesia.
These companies are looking for ways to be more competitive in the global
market. One of such industries is electronic products which has contributed a big
portion in the national output.

With the rapid growth of global business, more and more organizations will do
their business around the world. The exchange for labor, materials, products, and
services have become frequent and of prime important. Nowadays, there have
been many trading companies which exist to help distribute products and
services to the target market. Trading companies help companies from different
countries to solve their communication problems and build up beneficial
relationships with their respective customers. These kinds of trading companies
drive the growth of international business and global resources optimization.

Even though there is an increasing number of trading companies, many of them
seem to fail in building profitable relationships with their customers and some of
them even went bankrupt, such as Oriental trading Co.
(http://en.wikipedia.org/wiki/Oriental_Trading_Company). The failure of such
companies not only cost the company's time and finance, but also in a way make
a negative impact on the stakeholders' trust. In this situation, research especially
in marketing related fields will be very useful to sustain the growth of the
companies.

PT. YQ TEK INDONESIA is a typical international trading company. It purchases electronic components and chemical items mainly from China, Korea and Indonesia, and distributes them to some companies in both Indonesia and Pakistan. In fact, Most of products go to Indonesia. Developing very fast, YQ grosses a total of $2,000,000/month

1.1.1   Company profile

1.1.1.1 Company background

PT. YQ TEK INDONESIA was established in 7th Oct. 2004 as a trading company specialized in electronic components. The Company is located at: Jl. Industri Utama Block RR-5H, Kawasan Industri Jababeka, Cikarang Bekasi 17550 Indonesia.

At the beginning, the company acted as a hub for LG EIN. YQ TEK import goods from China and Korea, and deliver to LG EIN. In the initial stage, the company faced many problems and challenges. The cultural differences among Indonesia, China and Korea were sometimes difficult to deal with. The currency rate among suppliers, customers and YQ TEK was tough to decide. There were many misunderstandings in the company's internal communication.

From its year of establishment until year 2008, the company was still in learning process hence keeping its scope limited and small. During this period, YQ learned many things about Indonesia's regulations and cultural diversity. Gradually, YQ has been able to adapt with the environment. From year 2009 YQ started to increase the number of its customers. In November 2009, YQ started to supply Silicon rubber to PT. MIRAE INDONESIA, which produces keypad for remote-control.

- In May 2010, YQ delivered ferrite core to PT. SAMWHA INDONESIA,

whose main product is transformer.

- In March 2011, YQ started to cooperate with PT. DNH INDONESIA by supplying ferrite core and PS tape.

- In April 2011, YQ built up business relationship with PT. OHSUNG INDONESIA by supplying PCB for its remote-control's production.

- In August 2011, YQ started to supply PT. HANSUNG INDONESIA with LED light and PCB.

- In September 2011, YQ delivered silicon rubber to PT. SURYA TECHNOLOGY INDUSTRI, whose main product is keypad for remote-control.

With such high profile customers, YQ has started to move up its business from Introduction stage to growth stage.

Product

There are three main types of product that YQ supply.

- Electronic Component: Adapter, Power Cord, Signal Cable, Battery, PCB (Single, Double, Multi Layer), Ferrite Core, Iron Core, CD Master, Jack, USB Connector, and so on.
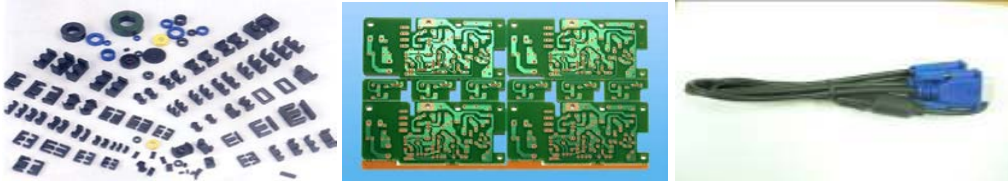
Figure 1.1: Electronic components

- Chemical items: Flux, Solder Paste, SMG Glue, Adhesive rubber, UV Bond, Silicone Rubber, IC Glue, Thinner, Cleaner, and IPA.

Figure 1.2: Chemical items

- Others: Paper Angle, and Bag Vinyl.

1.1.1.2 Company structure

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                            ┌─────────────────────────────┐
                            │          Director           │
                            └─────────────────────────────┘
                                          │
              ┌───────────────────────────┴───────────────────────────┐
┌──────────────────────────────┐                        ┌──────────────────────────────┐
│  General Manager (Import)     │                        │   General Manager (Local)     │
└──────────────────────────────┘                        └──────────────────────────────┘
                    │                                                   │
┌──────────────────────────────┐              ┌──────────────────────────────┐
│  Coordinator to China Dept    │              │      Marketing Manager         │
└──────────────────────────────┘              └──────────────────────────────┘
                                                    ┌───────────┴───────────┐
┌──────────────────────────────┐         ┌──────────────────────────────┐
│       Accounting Dept         │         │       Marketing Dept          │
└──────────────────────────────┘         └──────────────────────────────┘

┌──────────────────────────────┐                   ┌──────────────────────────────┐
│     Export & Import Dept      │                   │       Purchasing Dept          │
└──────────────────────────────┘                   └──────────────────────────────┘

┌──────────────────────────────┐                   ┌──────────────────────────────┐
│     Quality Control Dept      │                   │          Security              │
└──────────────────────────────┘                   └──────────────────────────────┘

┌──────────────────────────────┐                   ┌──────────────────────────────┐
│     Material Control Dept     │                   │          Delivery              │
└──────────────────────────────┘                   └──────────────────────────────┘

┌──────────────────────────────┐                   ┌──────────────────────────────┐
│   Production Control Dept     │                   │          Drivers               │
└──────────────────────────────┘                   └──────────────────────────────┘

┌──────────────────────────────┐                   ┌──────────────────────────────┐
│           HR & GA             │                   │          Office Boys           │
└──────────────────────────────┘                   └──────────────────────────────┘
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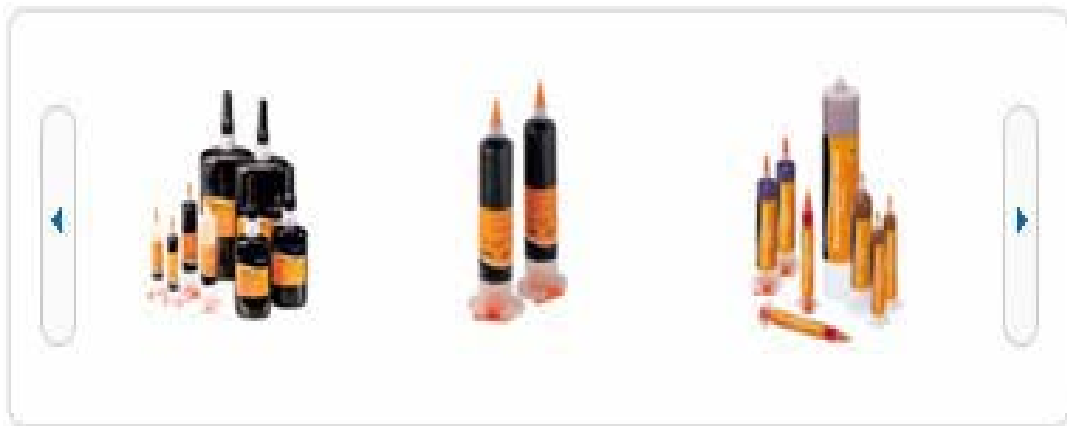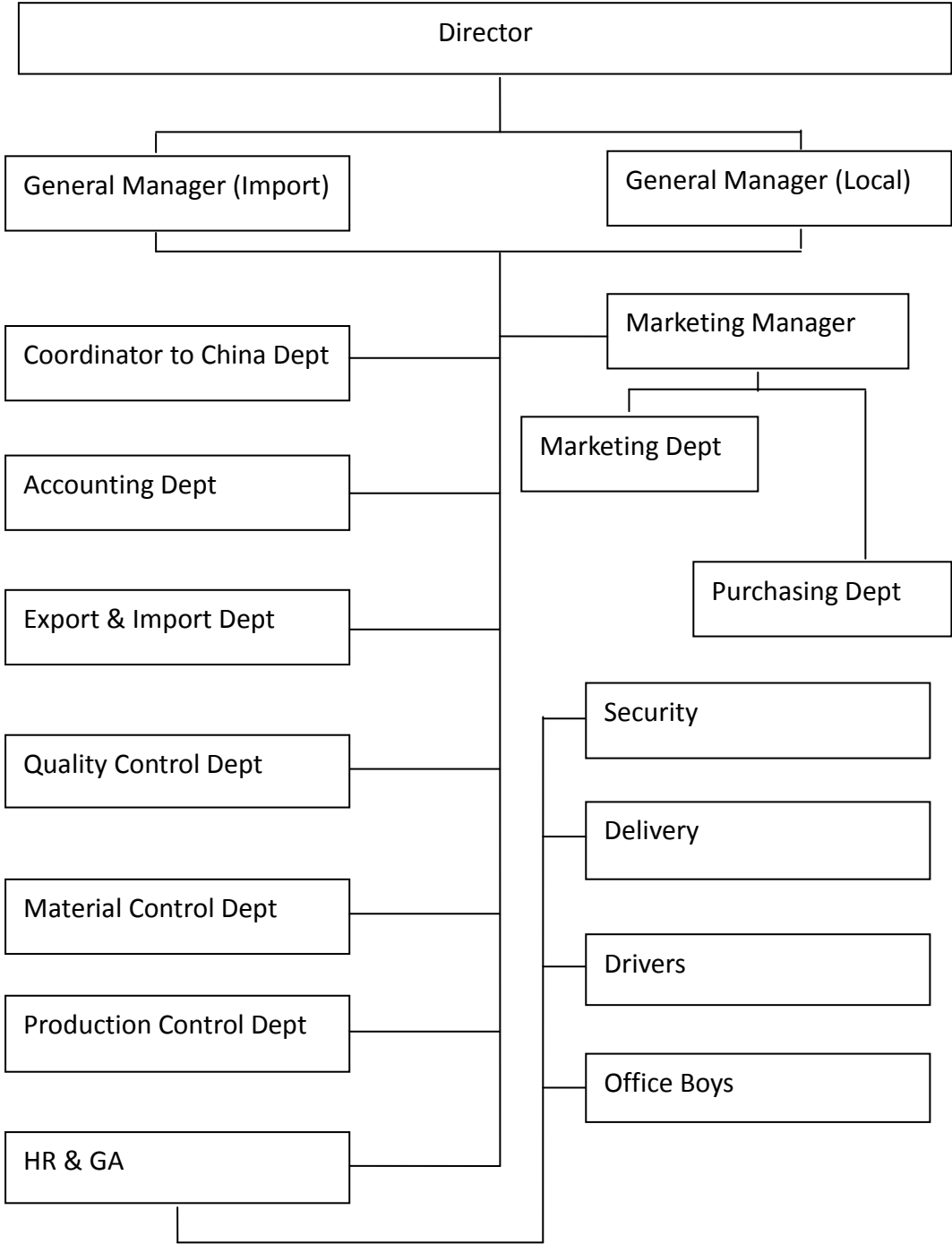
(Source: PT. YQ TEK Indonesia's company profile, 2011)

1.2 Problem Identified

PT. YQ TEK INDONESIA is a trading company which is in the growth stage. During this period, the company has to compete with many competitors to offer better service and cheaper price to satisfy its customers. Many business plans and marketing plans have been applied to increase its market share. From a recent survey conducted by Marketing Department of PT. YQ TEK INDONESIA, the number of competitors has increased tremendously. Some customers are even in favor of the competitors' products than PT. YQ TEK's. Therefore, it has to increase the loyalty of its customers so that it can retain current customers and possibly attract new customers.

1.3 Statements of Problem

There are several statements of problem in this research. The statements are about the significance of service marketing mix elements towards customers loyalty in PT. YQ TEK INDONEISA.

(1) How is the impact of product on customer loyalty?

(2)How is the impact of price on customer loyalty?

(3)How is the impact of promotion on customer loyalty?

(4)How is the impact of place on customer loyalty?

(5)How is the impact of people on customer loyalty?

(6)How is the impact of process on customer loyalty?

1.4 Research Objectives

The main objective of this research is to find out the correlation between service marketing mix and customer loyalty. It can be described as follows:

(1) To find out the impact of product on customer loyalty

(2) To find out the impact of price on customer loyalty

(3) To find out the impact of promotion on customer loyalty

(4) To find out the impact of place on customer loyalty

(5) To find out the impact of people on customer loyalty

(6) To find out the impact of process on customer loyalty

(7) To find out of the service marketing mix factors which influence customer loyalty the most.

1.5 Research Benefits

This research is beneficial to trading companies especially PT. YQ. By analyzing the details of PT.YQ's marketing mix and customer loyalty, PT. YQ can know its current situation and position in terms of customer loyalty. It can also apply the results of this research for decision marketing, problem solving and business plan. By learning the correlation, company can find out the way to improve its competitiveness and customer loyalty.

By this research, the researcher can also fulfill her curiosity and learn a lot about marketing mix and customer loyalty.

1.6 Theoretical frameworks

In this research the theory of service marketing mix and customer loyalty will be used:

| Service Marketing Mix:

■ Product
■ Price
■ Promotion
■ Place
■ People
■ Process | → | CUSTOMER LOYALTY |
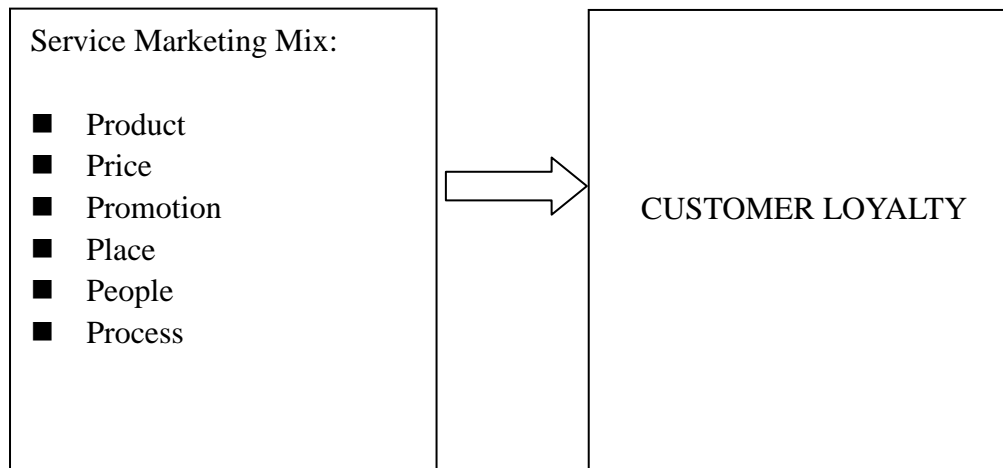
(Source: Self constructed)

1.7 Research Scope and Limitation

This research is about analyzing the correlation between service marketing mix and customer loyalty. The limitations are as follows:

1) The researcher used only 6Ps as PT. YQ TEK is a wholesaler which focuses on the distribution of goods and services for its customers. It's a hub to its customers therefore requires no fancy store but a big warehouse. This research does not discuss the impact of physical environment element of service marketing mix on customer loyalty.

2) The number of population is limited to 48 customers only.

1.8 Assumptions and Hypothesis

In this study, there are six hypotheses which will analyze the impact of service marketing mix elements on customer loyalty.

a) H0: There is a correlation between product and customer loyalty.

   H1: There is no correlation between product and customer loyalty

b) H0: There is a correlation between price and customer loyalty.

   H1: There is no correlation between price and customer loyalty

c) H0: There is a correlation between promotion and customer loyalty.

   H1: There is no correlation between promotion and customer loyalty

d) H0: There is a correlation between place and customer loyalty.

   H1: There is no correlation between place and customer loyalty

e) H0: There is a correlation between people and customer loyalty.

   H1: There is no correlation between people and customer loyalty

f) H0: There is a correlation between process and customer loyalty.

   H1: There is no correlation between process and customer loyalty

CHAPTER II

LITERATURE REVIEW

2.1 Service marketing mix

The marketing mix is the set of controllable, tactical marketing tools that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything in the firm can do to influence the demand for its product. An effective marketing program blends all the marketing mix elements into a coordinated program designed to achieve the company's marketing objectives by delivering values to consumers. The marketing mix constitutes the company's tactical tool kit for establishing strong positioning in target markets. (Philip Kotler &Gary Armstrong, 2006).

The service marketing mix is also known as an extended marketing mix and is an integral part of a service blueprint design. The service marketing mix consists of 7 P's as compared to the 4 P's of a product marketing mix. Simply said, the service marketing mix assumes the service as a product itself. However it adds 3 more P's which are required for optimum service delivery.   The product marketing mix consists of the 4 P's which are Product, Pricing, Promotions and Placement. The extended service marketing mix places 3 further P's which include People, Process and Physical evidence. (Hitesh Bhasin, 2011)

Figure 2.1: Services marketing Mix

(Source: Hitesh Bhasin, 2011)

2.1.1 Product

Product means the goods-and services combination the company offers to the target market. Product is anything that can be offered to a market for attention, acquisition, use, or consumption and that might satisfy a want or need. Products include more than just tangible goods. Broadly defined, products include physical objects, services, events, persons, places, organizations, ideas, or mixes of these entities. . (Philip Kotler &Gary Armstrong, 2006).

There are three levels of product. The basic level is core benefit, which the problem-solving benefits or service that customer seek. At the second level is actual product. The actual products are features, design, quality level, packaging and a brand name. Finally, the third level is augmented product. Augmented product offers additional consumer service and benefits to customers by delivery and credit, after-sale service, warranty, and installation. Usually, customers are looking for a bundle of benefits that satisfy their needs.
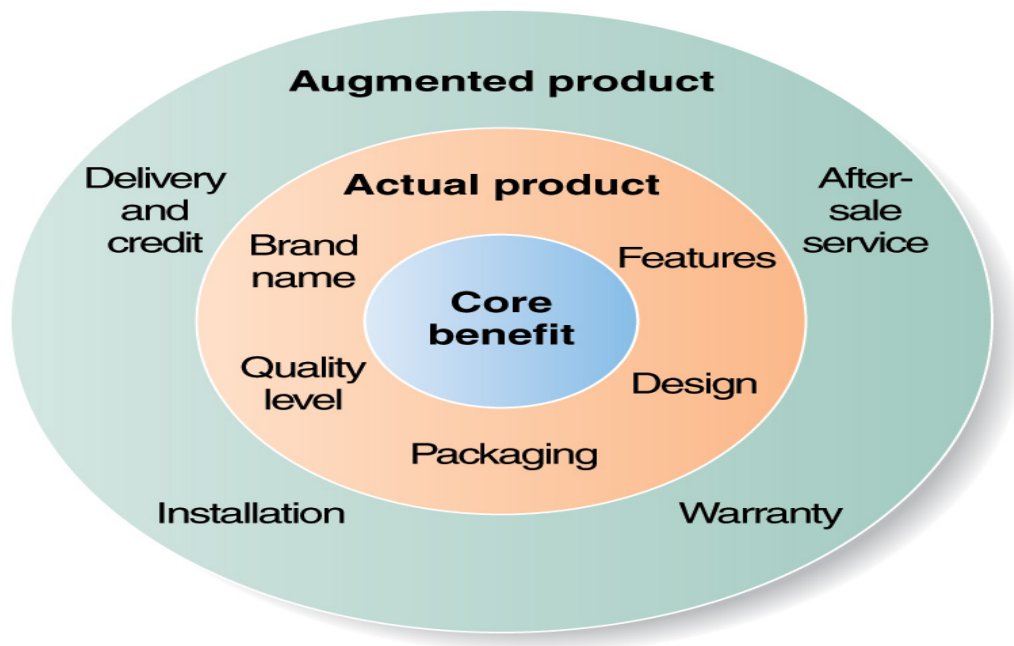
Figure 2.2: Three levels of product

(Source: Philip Kotler & Gary Armstrong, Principles of marketing, Eleventh edition, 2006)

2.1.2 Price

Price is the amount of money charged for a product or service, or the sum of all values that consumers exchange for the benefits of having or suing the product or service. (Philip Kotler &Gary Armstrong, 2006).

There are many factors affect price decisions such as, marketing objectives, costs, organizational considerations, and many other external and internal factors. Pricing is the very challenge for organization to attract customers pay the product or service with happiness. There are five pricing strategies that company can apply.

Table 2.1 Product Mix pricing strategies:

Strategy	Description
Product line pricing	Setting price steps between product line items
Optional-product pricing	Pricing optional or accessory products sold with the main product
Captive-product pricing	Pricing products that must be sued with the main product
By-product pricing	Pricing low-value by products to get rid of them
Product bundle pricing	Pricing bundles of products sold together

(Source: Philip Kotler & Gary Armstrong, Principles of marketing, Eleventh edition, 2006)

2.1.3 Promotion

Promotion means activities that communicate the merits of the product and persuade target customers to buy it. ((Philip Kotler &Gary Armstrong, 2006).

Promotion strategy integrates the organization's communications initiatives, combining advertising, personal selling, sales promotion, interactive/Internet marketing, direct marketing, and public relations to communicate with buyers and others who influence purchasing decisions. (David &Nigel, 2006)
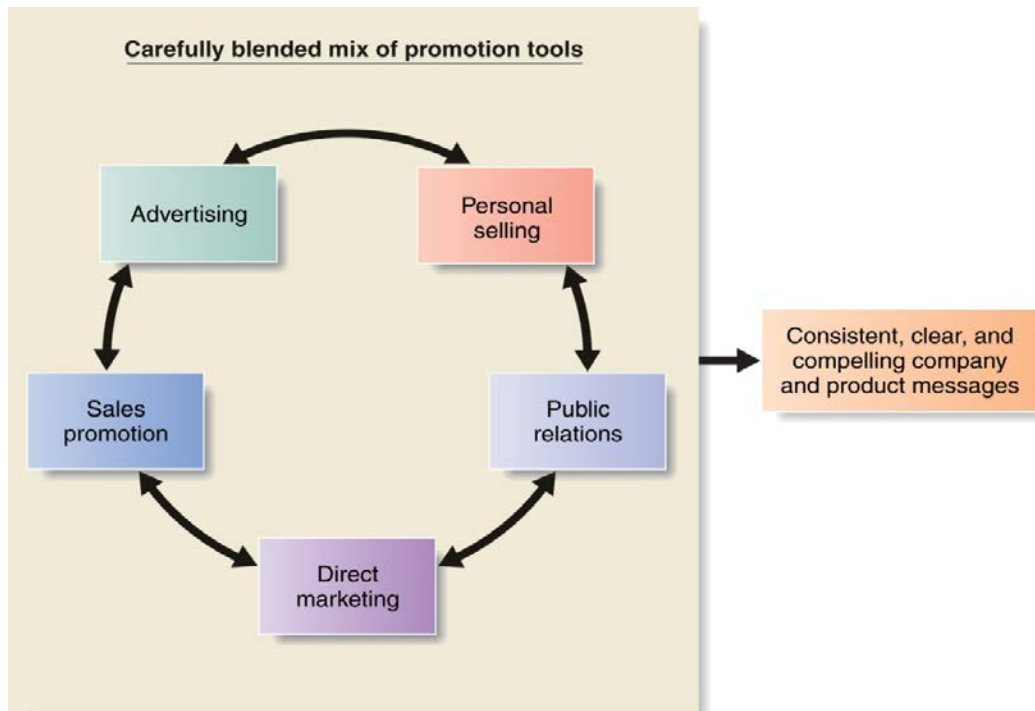
Figure 2.3: Integrated marketing communications

(Source: Philip Kotler & Gary Armstrong, Principles of marketing, Eleventh edition, 2006)

2.1.4 Place

Place includes company activities that make product available to target consumers. (Philip Kotler &Gary Armstrong, 2006). In order to make product available to customers, organizations build up strong marketing channels and manage supply chain.

Marketing channel or distribution channel is a set of interdependent organizations involved in the process of making a product or service available for use or service available for use or consumption by the consumer or business user. Producers give some of the selling job to channel partner because the use

of intermediaries results from their greater efficiency in making goods available to target markets. Through their contacts, experience, specialization, and scale of operation, intermediaries usually offer the firm more than it can achieve on its own. In making products and service available to customer, channel members add value by bridging the major time, place, and possession gaps that separate goods and services from those who would use them. Members of the marketing channel perform many key functions. Marketing channel are "sets of interdependent organizations involved in the process of making a product or service available for use or consumption. (Belch & Belch, 2009)

With the proliferation of customer segments and channel possibilities, more and more companies have adopted multichannel distribution systems-often called hybrid marketing channels. Such multichannel marketing occurs when a single firm sets up two or more marketing channels to reach one or more customer segments. The use of multichannel systems has increased greatly in recent years. Multichannel distribution systems offer many advantages to companies facing large and complex markets. (Philip Kotler &Gary Armstrong, 2006)
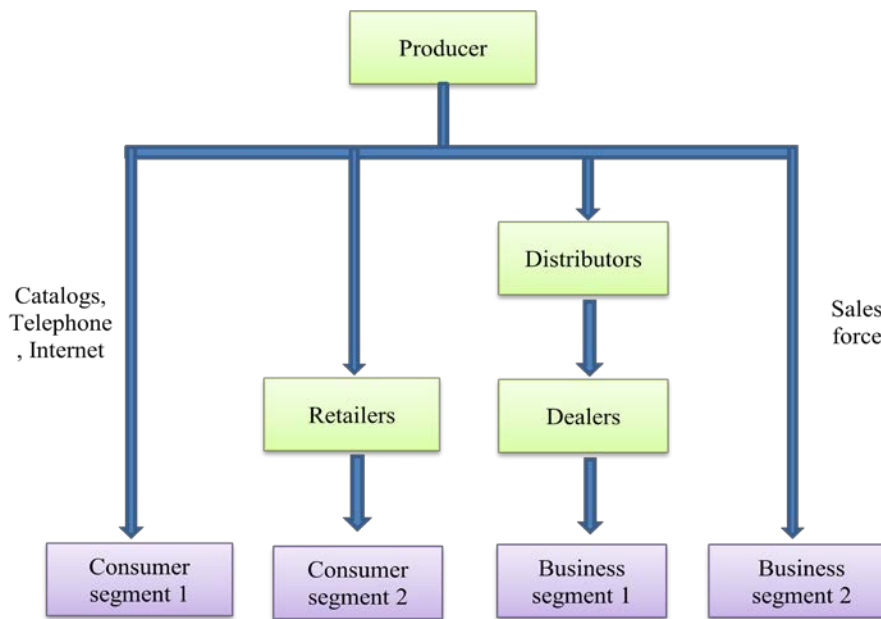
Figure 2.4: Multichannel distribution system

(Source: Philip Kotler & Gary Armstrong, Principles of marketing, Eleventh edition, 2006)

2.1.5 People

"People" is one of the elements of service marketing mix. People define a service. In case of service marketing, people can make or break an organization. Thus many companies nowadays are involved into specially getting their staff trained in interpersonal skills and customer service with a focus towards customer satisfaction. In fact many companies have to undergo accreditation to show that their staff is better than the rest. (Hitesh Bhasin, 2011)

To get success of HR, there are three phases: hire the right people, enable people,

and motivate and energize people.

Figure 2.5: Wheel of successful HR in service Firms

(Source: Christopher Lovelock, Jochen Wirtz, Hean Tat Keh & Xiongwen Lu, service marketing in Asia, second edition, 2005)

2.1.6 Process

Service process is the way in which a service is delivered to the end customer. The process of a service company in delivering its product is of utmost importance. It is also a critical component in the service blueprint, wherein before establishing the service, the company defines exactly what should be the process of the service product reaching the end customer. (Hitesh Bhasin, 2011)

To design services and provide products that are both satisfying for customers and operationally efficient, marketers can develop a blueprint to guild the delivery process, identify the fail points and set service standards.

Service blueprints clarify the interactions between customers and employees and how these are supported by additional activities and systems backstage. Since blueprints show the interrelationships between employee roles, operational

processes, information technology, and customer interactions, they can facilitate the integration of marketing, operations, and human resource management within a firm. There is no single, required way to prepare a service blueprint, but it's recommended that a consistent approach be used within any one organization. (Christopher Lovelock, Jochen Wirtz, Hean Tat Keh & Xiongwen Lu, 2005)

	Layer of Service Process	Who Performs Process Steps	Where
	Customer Action	customers (self-serve)	
line of independence →			Front office
	Customer Interaction	contact employees & customers	
line of interaction →			
	Customer Vision	contact employees	
line of visibility →			
	Backstage Preparation	contact & support employees	
line of internal interaction →			
	Support Functions	support employees	Back office
line of implementation →			
	Management Functions	management	
company boundary →			
	Outside Service Suppliers	outside supplier	**External**

Figure 2.6: Service blueprint elements

2.1.7 Physical environment

Services are intangible in nature. However, to create a better customer experience tangible elements are also delivered with the service. Several times, physical environment is used as a differentiator in service marketing. Imagine a private hospital and a government hospital. A private hospital will have plush offices and well dressed staff. Same cannot be said for a government hospital. Thus physical evidence acts as a differentiator. (Hitesh Bhasin, 2011)

Physical environment plays a major part in shaping customers perception of a firm's image and positioning. The main dimensions of service environments are ambient conditions (including music, scents, and colors), spatial layout and functionality, and signs, symbols, and artifacts.
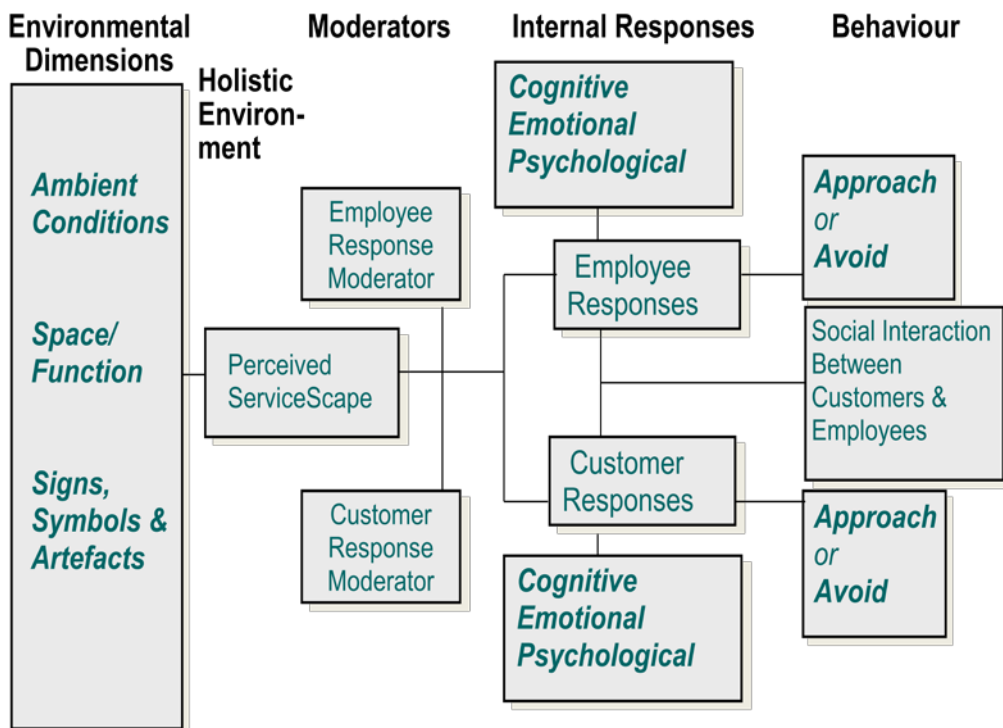

**Figure 2.7: The Servicescape model**

2.2   Customer loyalty

Loyalty is an old-fashioned word that has traditionally been used to describe fidelity and enthusiastic devotion to a country, cause, or individual. More recently, in a business context, it has been used to describe a customer's willingness to continue patronizing a firm over the long term, and recommending the firm's products to friends and associates. Brand loyalty extends beyond behavior to include preference, liking, and future intentions. Richard Oliver has argued that consumers first become loyal in a cognitive sense, perceiving from brand attribute information that one brand is preferable to its alternatives. At the second stage is affective loyalty, where a consumer develops a liking for the brand based on cumulatively satisfying usage occasions. Such attitudes are not easily dislodged by counter arguments from competitors. At the third stage is conative loyalty, where the consumer is committed to rebuying the same brand. This should lead to the fourth stage, which is action loyalty, where the consumer exhibits consistent repurchase behavior. (Christopher Lovelock, Jochen Wirtz, Hean Tat Keh & Xiongwen Lu, 2005)

The foundation for true loyalty lies in customer satisfaction. Highly satisfied or even delighted customers are more likely to become loyal apostles of a firm, consolidate their buying with one supplier, and spread positive word of mouth. In contrast, dissatisfaction drives customers away and is a key factor in switching behavior. Customers who praise the firm in public and refer others to the firm are described as "apostles". Having the right portfolio of customer segments, attracting the right customers, tiering the service and delivering high levels of satisfaction are a solid foundation for creating customer loyalty, as show in Figure 2.8. (Christopher Lovelock, Jochen Wirtz, Hean Tat Keh &
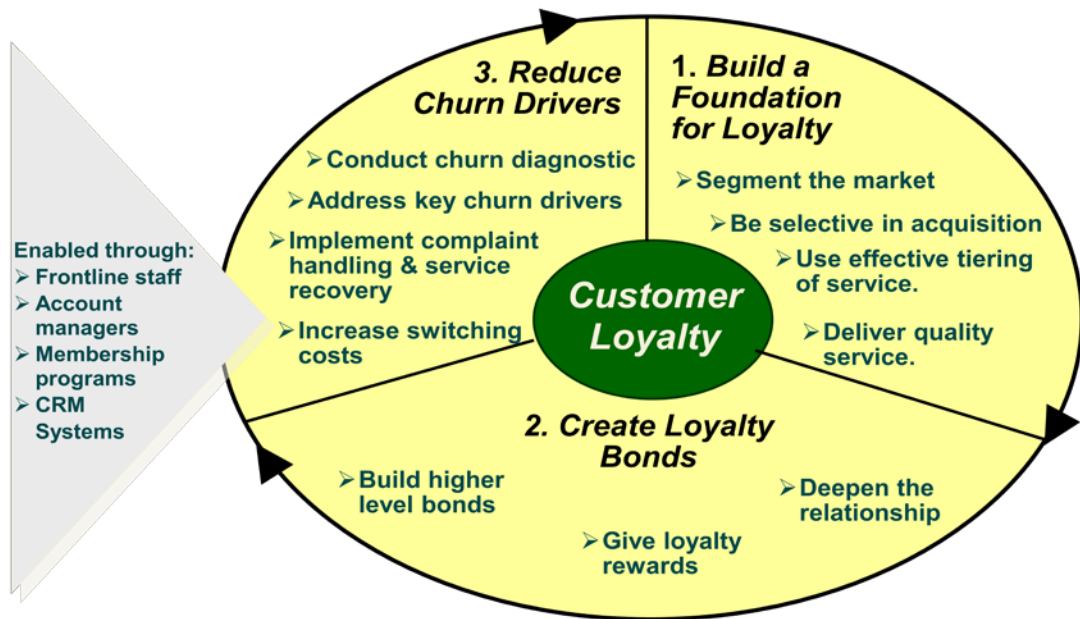
Xiongwen Lu, 2005)

Figure 2.8: Wheel of loyalty

Resource: Christopher Lovelock, Jochen Wirtz, Hean Tat Keh & Xiongwen Lu,

service marketing in Asia, second edition, 2005)

CHAPTER III

METHODOLOGY

3.1 Research Method

There are two common methodologies when conduction social research: quantitative and qualitative research. This study used quantitative research method.

Quantitative research is the systematic scientific investigation of properties and phenomena and their relationships. The objective of quantitative research is to develop and employ mathematical models, theories and/or hypotheses pertaining to natural phenomena. The process of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships (Creswell, 1994). Moreover, quantitative research is a formal, objective, systematic process in which numerical data are utilized to obtain information about the world (Burns and Grove cited by Cormack, 1991, p140). Quantitative research is often more expensive and complicated, but it enables a greater ability to generalize to large populations and save time. (Dennis &Glen, 2009)

Quantitative research places heavy emphasis on using formalized standard questions and predetermined response options in questionnaires or surveys administered to large numbers of respondents. Normally in quantitative research, the information research problems and opportunities are specific and well defined, and the decision maker and researcher have agreed on what the precise

information needs are. Quantitative research methods are more directly related to descriptive and causal research designs than to exploratory designs.

3.2 Research Framework

This research focused on analyzing the correlation between service marketing mix elements and customer loyalty. The research framework is as below:
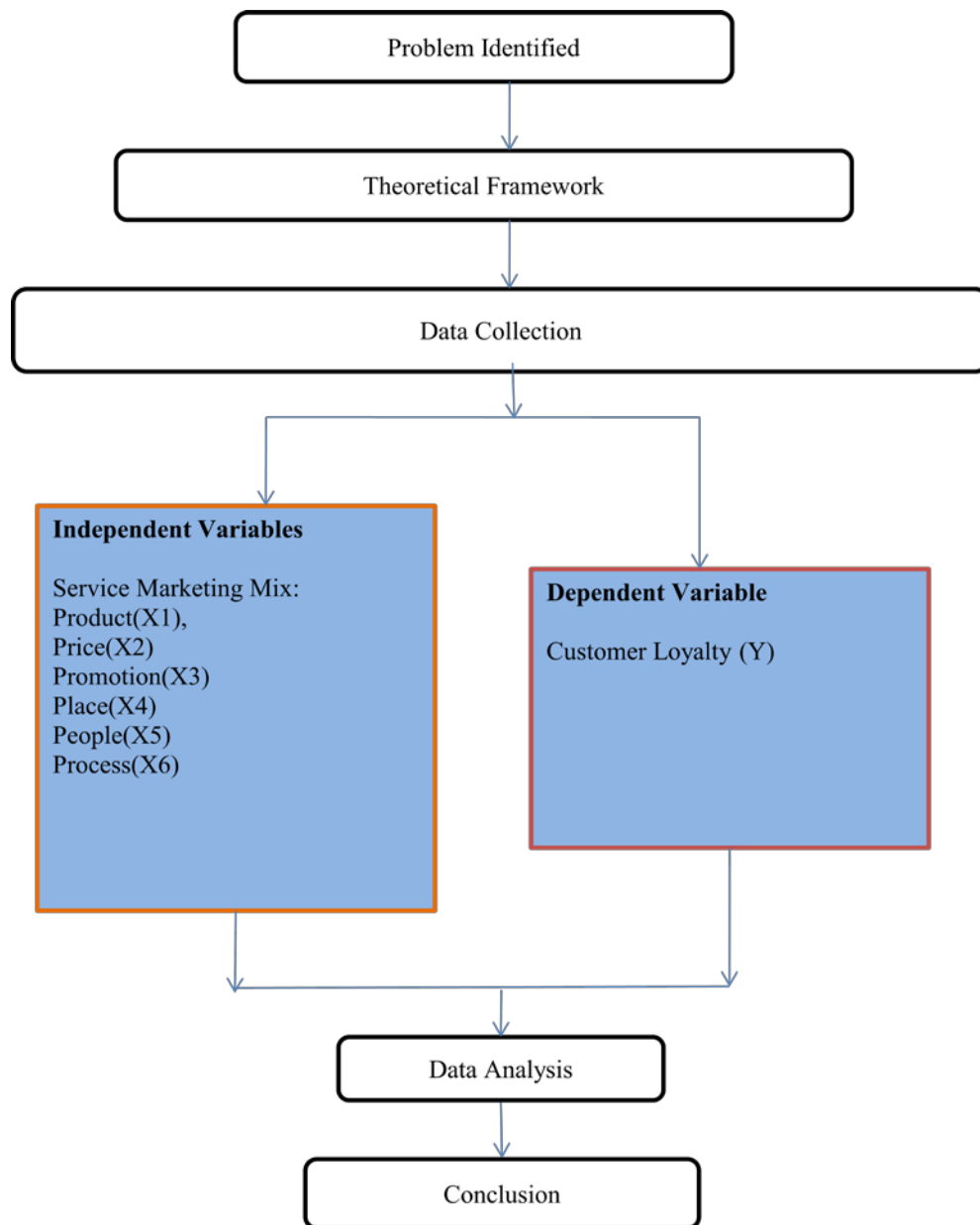
Figure 3.1: Research framework

3.3 Research Instruments

3.3.1 Questionnaires

Questionnaire is a structured technique for data collection that consists of questions, written or verbal, that a respondent answers (Malhotra & Peterson, 2002). Questionnaire is a method of data collection involving questioning of respondents to secure the desired information. (Churchill, Brown & Suter, 2010)

This research used questionnaires to gather data from customers about PT. YQ TEK INDONESIA. Totally there are 28 questions on the questionnaire. The questionnaire will cover:

a) 6 elements of service marketing mix including product, price, promotion, place, people and process. In this part, the data represent customers' general evaluation about YQ's marketing mix. There are 24 questions for this part with four questions for each element. The questions are designed to research the "six Ps" by asking four aspects of each "P".

b) Customer loyalty about YQ's product and service. The questions will cover some information about customer's frequency of purchase, willingness to give references to others, willingness to purchases across product and service lines and total customer satisfaction. Four questions are designed to cover the information.

3.3.2 Measurement Scale

Likert Scale Named after its developer, Rensis Likert, is one of the most widely

used itemized scales. The end-points of a Likert scale are typically "strongly disagree" and "strongly agree." The respondents are asked to indicate their degree of agreement by checking one of five response categories. When using this approach to determine the total score for each respondent on each store, it is important to use a consistent scoring procedure so that a high (or low) score consistently reflects a favorable response. This requires that the categories assigned to the negative statements by the respondents be scored by reversing the scale. Note that for a negative statement, an agreement reflects an unfavorable response, whereas for a positive statement, agreement represents a favorable response. Accordingly, a "strongly agree" response to a favorable statement and a "strongly disagree" response to an unfavorable statement would both receive scores of five. (Malhotra & Peterson, 2006).

Likert Scale is chosen for this research in order to limit the answer, so the answer will not be so broad. There are five categories for respondents to choose from, including strongly disagree, disagree, neither agree nor disagree, agree and strongly Agree.

1 **Strongly disagree**

2 **Disagree**

3 **Neither agree nor disagree**

4 **Agree**

5 **Strongly agree**

Figure 3.2: Rating scale

(Source: Self constructed based on Malhotra & Peterson, 2006)

3.3.3 Instrument distribution

Personally administered questionnaire is used for the distribution of these questionnaires. Since the research should be conducted within a short period of time, the researcher delivered the questionnaires to respondents personally and collected the information after being filled up. There are several advantages of this instrument. The researcher can use photographs to help explain the questions to the respondents. The researcher can get the data with high response rate within a short time. The researcher can also check and make sure that all questions are answered.

3.3.4 Statistical tools

There are two main tools that research applies for statistical analysis:

● Microsoft excel: Microsoft Excel has the basic features of all spreadsheets, using a grid of cells arranged in numbered rows and letter-named columns to organize data manipulations like arithmetic operations.

● SPSS: SPSS is a computer program used for survey authoring and deployment (IBM SPSS Data Collection), data mining (IBM SPSS Modeler), text analytics, statistical analysis, and collaboration and deployment (batch and automated scoring services).

3.4 Sampling design

A population is the total collection of elements about which we wish to make some inferences. The basic idea of sampling is that by selecting some of the

element in a population we may draw conclusions about the entire population. .
(Cooper and Schindler, 2003).

The total number of PT. YQ TEK's customers is 24 companies. Each company
has two person-in-charges. One is for domestic and the other one is for
international trade. Therefore, the total number of population is 48 out of 24
companies. Since the total number of population is small, the researcher did not
make any sampling but use the whole population instead.

CHAPTER IV

ANALYSIS AND INTERPRETATION DATA

4.1 Customer evaluation of service marketing mix

Based on the questionnaire, one element includes 4 questions. To make this research better, the researcher took an average score from the 4 questions:

- The average score from question 1 until 4 accounts for YQ TEK's product; the quality, the design, the packaging and the warranty aspects of product. The average score from question 5 until 8 accounts for YQ TEK's pricing. The average score from question 9 until 12 accounts for YQ TEK's promotion. The average score from question 13 until 16 accounts for YQ TEK's place. The average score from question 17 until 20 accounts for YQ TEK's people. The average score from question 21 until 24 accounts for YQ TEK's process. The average score from question 25 until 28 accounts for YQ TEK's customer loyalty.

- 1 means strongly disagree, 2 means disagree, 3 means neither agree nor disagree, 4 means agree, and 5 means strongly agree.

1. Customer evaluation of Product:

Attitudes	No.	Percentage	Mean
Strongly agree	6	13%	
Agree	30	63%	
Neither agree nor disagree	9	19%	3.67
Disagree	3	6%	
Strongly disagree	0	0%	
TOTAL	48	100%	

13% of the respondents strongly agree YQ TEK has appropriate product. 63% of the respondents agree YQ TEK has appropriate product. 19% of respondents neither agree nor disagree the product is appropriate. 6% of respondents disagree the product is appropriate. Most of the respondents agree YQ TEK supply appropriate product.

2. Customer evaluation of Price:

Attitudes	No	Percentage	Mean
Strongly agree	8	17%	
Agree	21	44%	
Neither agree nor disagree	19	40%	3.58
Disagree	0	0%	
Strongly disagree	0	0%	
TOTAL	48	100%	

17% of respondents strongly agree the price is reasonable. 44% of respondents

agree the price is reasonable. 40% of respondents neither agree nor disagree the price concept is reasonable. Most of the respondents agree the price is reasonable.

3. **Customer evaluation of Promotion:**

Attitudes	No	Percentage	Mean
Strongly agree	10	21%	
Agree	21	44%	
Neither agree nor disagree	17	35%	
Disagree	0	0%	3.76
Strongly disagree	0	0%	
TOTAL	48	100%	

21% of respondents strongly agree YQ TEK's promotion is attractive. 44% of respondents agree the promotion is attractive. 35% of respondents neither agree nor disagree the promotion is attractive. Most of the respondents agree the promotion is attractive.

4. **Customer evaluation of Place:**

Attitudes	No	Percentage	Mean
Strongly agree	9	19%	
Agree	24	50%	
Neither agree nor disagree	15	31%	
Disagree	0	0%	3.71
Strongly disagree	0	0%	
TOTAL	48	100%	

19% of respondents strongly agree YQ TEK has good distribution system. 50% of respondents agree YQ TEK has good distribution system. 31% of respondents

neither agree nor disagree YQ TEK has good distribution system. Most of the respondents agree YQ TEK has good distribution system.

5. Customer evaluation of People:

Attitudes	No	Percentage	Mean
Strongly agree	7	15%	
Agree	30	63%	
Neither agree nor disagree	11	23%	3.81
Disagree	0	0%	
Strongly disagree	0	0%	
TOTAL	48	100%	

15% of respondents strongly agree YQ TEK's people have satisfactory performance. 63% of respondents agree YQ TEK's people have satisfactory performance. 23% of respondents neither agree nor disagree YQ TEK's people have satisfactory performance. Most of the respondents agree YQ TEK's people have satisfactory performance.

6. Customer evaluation of Process:

Attitudes	No	Percentage	Mean
Strongly agree	1	2%	
Agree	37	77%	
Neither agree nor disagree	10	21%	3.68
Disagree	0	0%	
Strongly disagree	0	0%	
TOTAL	48	100%	

2% of respondents strongly agree YQ TEK has clear process. 77% of

respondents agree YQ TEK has clear process. 21% of respondents neither agree nor disagree YQ TEK has clear process. Most of the respondents agree YQ TEK has clear process

7. Customer evaluation of Customer loyalty

Attitudes	No	Percentage	Mean
Strongly agree	5	10%	
Agree	24	50%	
Neither agree nor disagree	19	40%	3.66
Disagree	0	0%	
Strongly disagree	0	0%	
TOTAL	48	100%	

10% of respondents strongly agree they are loyal to YQ TEK. 50% of respondents agree they are loyal to YQ TEK. 40% of respondent neither agree nor disagree they are loyal to YQ TEK. Most of the respondents agree that they are loyal to YQ TEK.

8. YQ TEK's current marketing mix and customer loyalty as below:

No	Element	Mean	Question No
1	Product	3.67	1~4
2	Price	3.58	5~8
3	Promotion	3.76	9~12
4	Place	3.71	13~16
5	People	3.81	17~20
6	Process	3.68	21~24
7	Customer Loyalty	3.66	25~28

1 accounts for strongly disagree, 2 accounts for disagree, 3 accounts for neither agree nor disagree, 4 accounts for agree, and 5 accounts for strongly agree:

1. The mean of product is 3.67 meaning most of the respondents agree that YQ TEK has appropriate product.

2. The mean of price is 3.58 meaning that most of the respondents agree that YQ TEK has reasonable price, but weaker than agree about the product.

3. The mean of promotion is 3.76 meaning that most of the respondents agree that YQ TEK has attractive promotion, and stronger than product.

4. The mean of place is 3.71 meaning that most of the respondents agree that YQ TEK has good distribution system.

5. The mean of people is 3.81 meaning that most of the respondents agree that YQ TEK has high performing people. People get the highest score in the respondents' evaluation.

6. The mean of process is 3.68 meaning that most of the respondents agree that YQ TEK has clear process.

7. The mean of customer loyalty evaluation is 3.66 meaning that most of the respondents agree that they are loyal to YQ TEK.

8. The score of service marketing mix of YQ from largest to smallest is : 3.81(people), 3.76(promotion), 3.71 (place), 3.68(process), 3.67(product), and 3.58 (price)

4.2 Correlation between service marketing mix and Customer loyalty

In this section, the researcher used SPSS (Statistical Product and Service Solutions) software to analyze the correlation between service marketing mix and customer loyalty.

4.3.1 The SPSS output for product and customer loyalty

Coefficients[a]

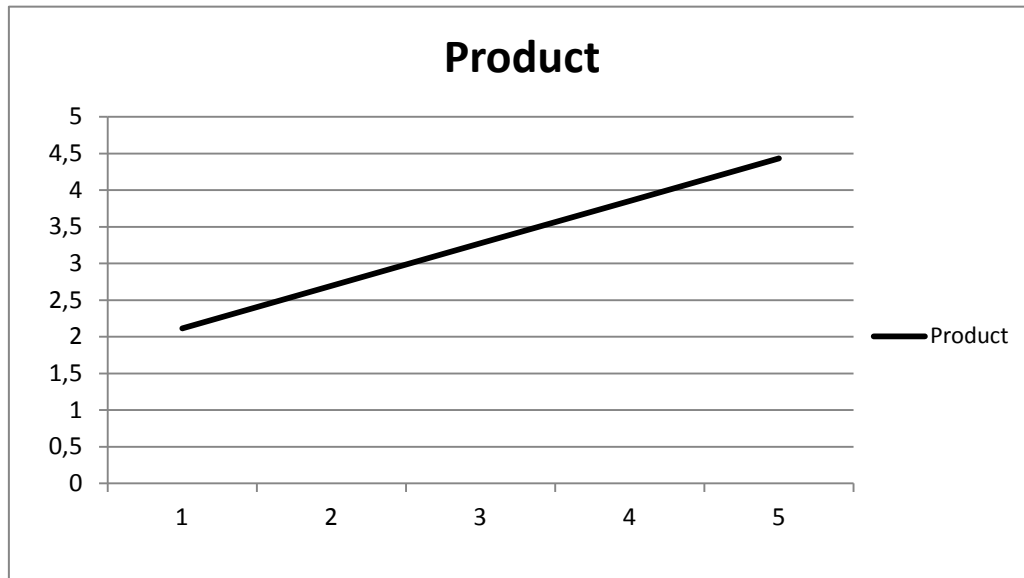| Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.534	.327		4.684	.000
	Product	.580	.088	.697	6.601	.000

a. Dependent Variable: Customer_loyalty

The significance level of t statistic has to be less than 0.05. In above table the significance level of t statistic is 0.000 which is less than 0.05, so the parameter is significant. The beta coefficient tells how strongly the independent variable associated with the dependent variable is. The B coefficient above is 0.580. The simple liner regression between product and customer loyalty is:

Customer loyalty= 1.534+0.580 x Product

{Customer loyalty [1, 5], product [1, 5]}

Product	Customer loyalty
1	2.114
2	2.694
3	3.274

4	3.854
5	4.434

Product

4.3.2 The SPSS output for price and customer loyalty

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.251	.438		5.139	.000
	Price	.394	.121	.434	3.268	.002

a. Dependent Variable: Customer_loyalty

The table shows the significance level of t statistic is 0.002 which is less than 0.05, so the parameter is significant. The beta coefficient tells how strongly the independent variable associated with the dependent variable is. The B coefficient above is 0.394. The simple linear regression between price and

customer loyalty is:

$$Customer\ loyalty = 2.251 + 0.394 \times Price$$

{Customer loyalty [1, 5], price [1, 5]}

Price	Customer loyalty
1	2.645
2	3.039
3	3.433
4	3.827
5	4.221

4.3.3 **The SPSS output for promotion and customer loyalty**

Coefficients[a]

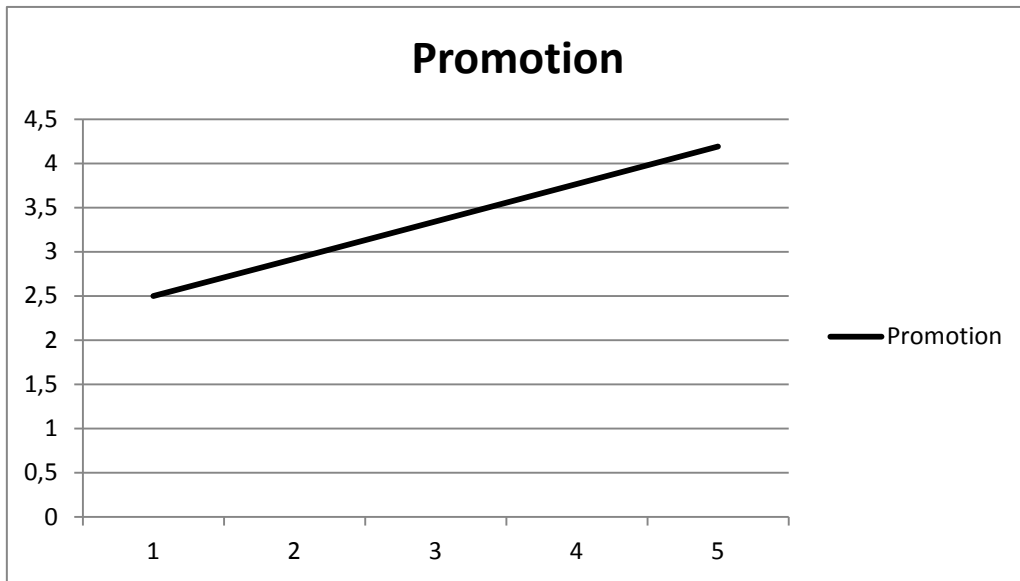| Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	2.075	.490		4.237	.000
Promotion	.423	.129	.435	3.277	.002

a. Dependent Variable: Customer_loyalty

The significant level of t statistic has to be less than 0.05 for the parameter significant. In above table the significance level of t statistic is 0.02 which is smaller than 0.05, so the parameter is significant. The B coefficient is 0.423. The simple linear regression between promotion and customer loyalty is:

Customer loyalty= 2.075+0.423 x Promotion

{Customer loyalty [1, 5], promotion [1, 5]}

Promotion	Customer loyalty
1	2.498
2	2.921
3	3.344
4	3.767
5	4.19

Promotion

4.3.4 The SPSS output for place and customer loyalty

Coefficients^a

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.838	.431		4.267	.000
	Place	.491	.114	.534	4.289	.000

a. Dependent Variable: Customer_loyalty

The table shows the significance level of t statistic is 0.000 which is less than 0.05, so the parameter is significant. The beta coefficient tells how strongly the independent variable associated with the dependent variable is. The B coefficient above is 0.491. The regression linear between place and customer loyalty is:

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Customer loyalty= 1.838+0.491 x Place

{Customer loyalty [1, 5], place [1, 5]}

Place	Customer loyalty
1	2.329
2	2.82
3	3.311
4	3.802
5	4.293

4.3.5   The SPSS output for people and customer loyalty

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.

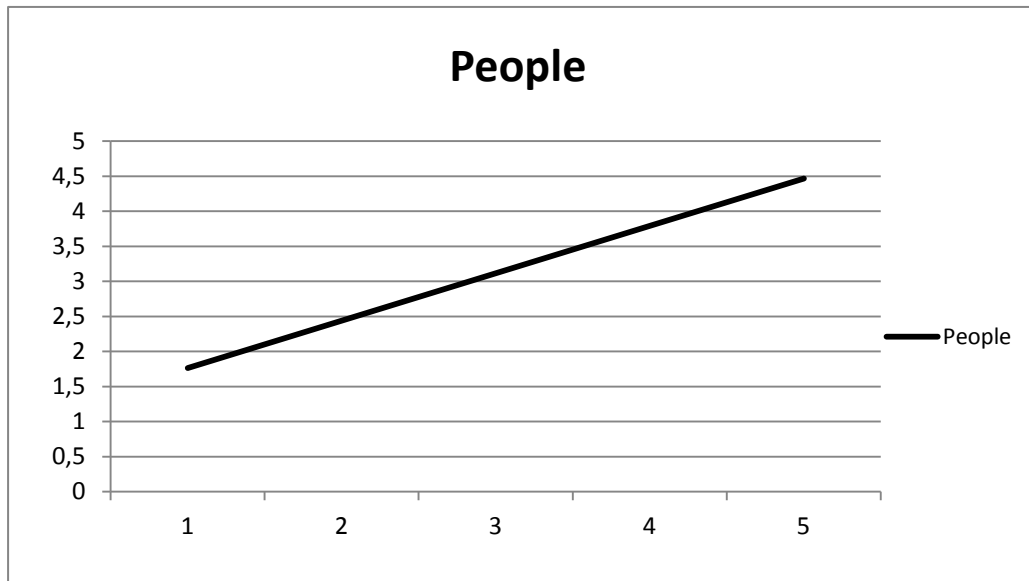|		B	Std. Error	Beta		
1	(Constant)	1.090	.517		2.108	.040
	People	.675	.135	.594	5.014	.000

a. Dependent Variable: Customer_loyalty

The table shows the significance level of t statistic is 0.000 which is less than 0.05, so the parameter is significant. The beta coefficient tells how strongly the independent variable associated with the dependent variable is. The B coefficient above is 0.675. The regression linear between people and customer loyalty is:

Customer loyalty= 1.090+0.675 x People

{Customer loyalty [1, 5], people [1, 5]}

People	Customer loyalty
1	1.765
2	2.44
3	3.115
4	3.79
5	4.465

People

4.3.6   The SPSS output for process and customer loyalty

Coefficients^a

| Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.844	.453		1.863	.069
	Process	.765	.122	.679	6.274	.000

a. Dependent Variable: Customer_loyalty

The table shows the significance level of t statistic is 0.000 which is less than 0.05, so the parameter is significant. The beta coefficient tells how strongly the independent variable associated with the dependent variable is. The B coefficient above is 0.765. The regression linear between process and customer loyalty is:

Customer loyalty= 0.844+0.765 x Process

{Customer loyalty [1, 5], process [1, 5]}

Process	Customer loyalty
1	1.609
2	2.374
3	3.139
4	3.904
5	4.669
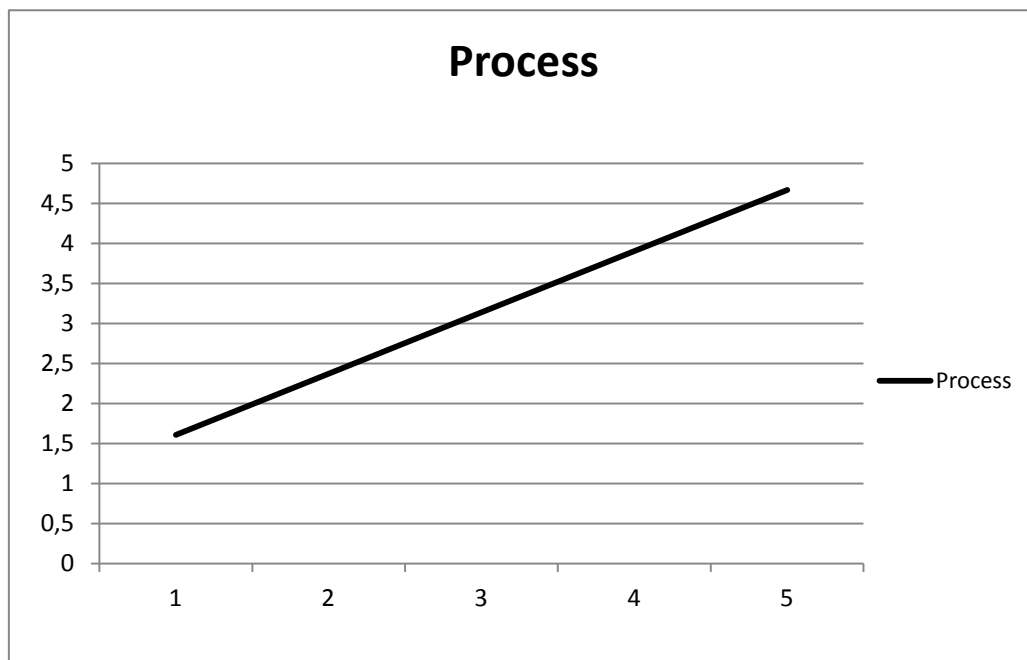
To sum up, the significant regression linears with six "P"s and customer loyalty are:

$$\text{Customer loyalty} = 1.534 + 0.580 \times \text{Product}$$

$$\text{Customer loyalty} = 2.251 + 0.394 \times \text{Price}$$

$$\text{Customer loyalty} = 2.075 + 0.423 \times \text{Promotion}$$

$$\text{Customer loyalty} = 1.838 + 0.491 \times \text{Place}$$

$$\text{Customer loyalty} = 1.090 + 0.675 \times \text{People}$$

$$\text{Customer loyalty} = 0.844 + 0.765 \times \text{Process}$$

B value is regression coefficient or slope in simple regression. It is yield by a regression analysis which indicates the sensitivity of the dependent variable to the independent variable. The regression coefficient represents the net effect the variable on the dependent variable, holding the remaining variables in the equation constant. (http://www.lotsofessays.com/viewpaper/1688040.html).

Comparing the B value: 0.765 (process) > 0.675 (people) > 0.580 (product) > 0.491 (place) > 0.4213(promotion) > 0.394 (price)

From the statistical analysis, the research found that there is a correlation between PT. YQ TEK INDONESIA's marketing mix and its customer loyalty:

a) Product has a significant impact on YQ TEK's customer loyalty. The simple

liner regression between them is：Customer loyalty= 1.534+0.580 x
Product. Since the B value is larger than 0, the correlation between product
and customer loyalty is positive.

b) Price has a significant impact on YQ TEK's customer loyalty. The simple
liner regression between them is: Customer loyalty= 2.251+0.394 x Price.
The B value is larger than 0, so the correlation between price and customer
loyalty is positive.

c) Promotion has a significant impact on YQ TEK's customer loyalty. The
simple liner regression between them is: Customer loyalty= 2.075+0.423 x
Promotion. The B value is larger than 0, so the correlation between
promotion and customer loyalty is positive.

d) Place has a significant impact on YQ TEK's customer loyalty. The simple
liner regression between them is: Customer loyalty= 1.838+0.491 x Place.
The B value is larger than 0, so the correlation between place and customer
loyalty is positive.

e) People has a significance impact on YQ TEK's customer loyalty. The simple
liner regression between them is: Customer loyalty= 1.090+0.675 x People.
The B value is larger than 0, so the correlation between people and customer
loyalty is positive.

f) Process has a significant impact on YQ TEK's customer loyalty. The simple
liner regression between them is: Customer loyalty= 0.844+0.765 x Process.
The B value is larger than 0, so the correlation between process and
customer loyalty is positive.

g) The sensitivity of YQ TEK marketing mix (6 Ps) to its customer loyalty
ranked from the strongest to the weakest is: Process, People, Product, Place,

Promotion, and Price. Below table is about the summary:

Concept	Score Mean	B value	Score Rank	Sensitivity Rank
Product	3.67	0.580	5th	3th
Price	3.58	0.394	6th	6th
Promotion	3.76	0.423	2nd	5th
Place	3.71	0.491	3th	4th
People	3.81	0.675	1st	2nd
Process	3.68	0.765	4th	1st

CHAPTER V

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Generally the respondents agree PT. YQ TEK Indonesia has appropriate product, reasonable price, attractive promotion, good distribution system, high performing people, and clear process. The best one is high performing people and the weakest one is reasonable price. Most of the respondents also agree that they will continue

purchasing products from PT. YQ TEK, recommending others to purchase in PT. YQ TEK, willing to purchase new items in PT YQ TEK, and are satisfied with PT. YQ TEK Indonesia.

PT. YQ TEK Indonesia's marketing mix (product, price, promotion, place, people and process) have a significant impact on customer's loyalty and all of them have a positive correlation with customer's loyalty. Clear process has more positive impact on customer's loyalty as compared to others which points out that the way the product is delivered to the end customer is critical for customer's loyalty. Reasonable price has slighter impact on customer loyalty as compared to others. The list of PT. YQ TEK Indonesia's marketing mix from the strongest impact to the weakest impact on customer's loyalty is: clear process, high performing people, appropriate product, good distribution system, attractive promotion and reasonable price.

5.2   Recommendations

To be more competitive and increase customer's loyalty, the managers of PT YQ TEK Indonesia should consider several things for its marketing strategies and plans:

- The company should improve its process by developing a blueprint. The blueprint shows the complete picture of the company's operating system. It can guide the employees and customers. Also, the manager should care about the fail points in the blueprint. The company should learn more about process concept and reduce the failures during the process.

- The company should improve its product. Looking for the core benefits of the products to the customers, finding out the problem-solving benefits or services that customers are seeking for, and building strong brands will help PT. YQ TEK to move forward.

- PT. YQ TEK can improve its customer's loyalty as follows: training its employees, motivating and energizing the employees, using multichannel distribution system, and dealing with public relations.

- During the growth stage, the company should do more market researches and customer researches. The management of the process and people is important to **out beat** the increasing competitors. Pricing strategies can affect the financial of the company. There should also be more studies on customer behaviors.

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APPENDIX

Questionnaire:

PT.YQ TEK INDONESIA Jl.industril utama Block RR-5H cikarang bekasi

Company Name:

Introductions:

1. Please choose an answer which represent your agreement in each statement by

2. Rating Scale:

       SA= Strongly Agree

       A = Agree

       N = Neither agree nor disagrees

       D = Disagree

       SD= Strongly Disagree

3. Please make sure all the questions are filled

4. Please answer honestly and thanks a lot!

No.	Questions	SA	A	N	D	SD
1	PT. YQ TEK provides excellent quality products.					
2	PT. YQ TEK provides appropriate design products					
3	PT. YQ TEK provides suitable packaging products					
4	PT. YQ TEK provide credible warranty products					
5	PT. YQ TEK supplies with reasonable price					

6	PT. YQ TEK supplies with acceptable payment term.					
7	PT. YQ TEK supplies with attractive price					
8	PT. YQ TEK has easy payment system					
9	PT. YQ TEK has attractive advertising					
10	PT. YQ TEK closely contact your company by email, telephone & Fax					
11	PT. YQ TEK usually sends employees for visiting					
12	PT. YQ TEK has PIC for customer communication					
13	PT. YQ TEK has clear delivery process					
14	PT. YQ TEK's products are easy to purchase					
15	PT. YQ TEK's products are available when your request					
16	PT. YQ TEK provide detail shipments information					
17	PT. YQ TEK employees have high performance					
18	PT. YQ TEK's employees are friendly & patiently for your asking					
19	PT. YQ TEK's employees are responsible					
20	PT. YQ TEK's employees try hard to solve customer's problem					

					53		
21	PT. YQ TEK delivery on time						
22	PT. YQ TEK nearly has mistake for communication						
23	PT. YQ TEK solves customer's problem very fast						
24	PT. YQ TEK has detail follow up steps						
25	Your company will continue purchasing from YQ for a long time						
26	Your company could like to recommend others to purchase from YQ						
27	Your company could like to work with YQ for other new items						
28	Your company is satisfy with YQ TEK						