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The Effect of Marketing Mix and Retail Mix on Consumer Loyalty of Gelael Supermarket in Makassar City

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Abstract. This research aims to determine the effect of marketing mix and retail mix on consumer loyalty. This research conducted in the company of PT. Gelael Indotim Makassar. The data used in this study were obtained from a questionnaire (primary). The sampling method uses purposive sampling method. The number of samples used was 160 customers from different gender, age and occupation. The analytical method used is Structural Equation Modeling (SEM) using Smart-PLS 2.0 for Windows. The research findings show that the variables of Marketing Mix has a positive yet not a significant effect on Consumer Loyalty of Gelael Supermarket, meanwhile Retail Mix has positive and significant effect or indirect effect.

Keywords: Marketing Mix, Retail Mix, Consumer Loyalty, Gelael Supermarket.

1 Introduction

The retail business in Indonesia is currently experiencing a pretty good development. Indonesia is included in the Top 10 Global Retail Development Index (GRDI) 2019 released by consultancy A.T Kearney. The GRDI assessment consists of four criteria, namely market attractiveness, country risk level, market saturation, and time pressure. In 2019, the Indonesia retail market is in 8th position out of 30 developing countries worldwide. In the 2019 GRDI list, Indonesia obtained a score of 55.9 from the highest score of 100. This position is up from the previous year which was ranked 8th.

According to Southeast Asia Partner and Head A.T Kearney Soo Ghee Chua, Indonesia has been the target of foreign retailers. The opening of the Negative Investment List (DNI) opens opportunities for foreign investors to enter the domestic retail market, both to dominate supermarkets or e-commerce. With the development of the retail business in Indonesia, currently the number of supermarkets and supermarkets in Indonesia is also growing rapidly, including one in the city of Makassar. Gelael Supermarket is one company that utilizes the retail

business market opportunities. Gelael Supermarket has an advantage among other supermarkets in Makassar, namely Gelael Supermarket is the first supermarket in Makassar that has survived until now. Therefore, although currently there are many new supermarkets, but Gelael Supermarket still has popularity among the people in Makassar City. Because of the many competitors that have sprung up, Gelael Supermarket must be able to improve its strategy in order to be able to attract and retain consumers.

Increasingly fierce business competition requires companies to be more aggressive in attracting and retaining consumers. Companies must be directly involved in creating the strength of products produced to win a competitive market. Businesses must be able to do something better than their competitors by providing better products, lower prices and better services. Thus, it is expected that the company can win the competition and attract customers. Therefore, to attract consumers to make purchases, the company must be able to implement an appropriate marketing strategy in accordance with the market conditions encountered. The success of a marketing strategy is influenced by several factors, namely market research and analysis, product decisions, pricing, promotion and distribution, also known as a marketing mix. Marketing mix or marketing mix is the main core of marketing activities, which includes 4P (Product, Price, Place, Promotion). The four variables are combinations that have the same role and are a unity to support the company's success. Therefore, product, price, place and promotion can be used by the company concerned to develop a company's basic strategy that can be a reference for developing effective marketing strategies (Swastha and Irawan, 2013).

Retail mix also has an important and influential role in the development of a company. According to Utami (2010: 68), the elements in retail mix include product, price, promotion, place, presentation, and personnel. Applying the right retail mix is expected to build commitment and build customer loyalty. Consumer loyalty has an important role in a company. Maintaining consumers means improving financial performance and maintaining the survival of the company, where this is the main reason for companies to attract and retain consumers (Utami, 2010: 128). In this modern era, it has become a necessity for companies to always maintain and increase customer loyalty. One of the main objectives of marketing activities is often seen from the achievement of consumer loyalty through marketing strategies. Because with good customer loyalty, the company can survive against its competitors in all market situations. Consumer loyalty is the most important part of repurchases to consumers (Caruana, 2002).

Research on consumer loyalty is a crucial factor in marketing a company's products. In addition, research by Wu and Li (2018) showed that there was an influence of marketing mix consisting of products, prices, promotions, and distributions on consumer loyalty. Also states that all variables in the social commerce marketing mix significantly influence consumer loyalty. While research by Wahab, Hassan, Shahid, & Maon (2016) shows that product and price variables have a significant effect on consumer loyalty, but place and promotion have no significant effect on consumer loyalty. Other research by Irawati and Subagio (2014) shows that retail mix has a significant effect on consumer loyalty. This is also supported by the results of research by Supriyanto (2015) which also shows that there is a significant influence between retail mix on customer loyalty, however, research by Terblanche (2017) states that merchandise value is the only element that has a significant relationship with loyalty consumers in supermarket studies. Whereas in the study of clothing stores and studies of health, beauty, and lifestyle stores, only variable merchandise values and frontline staff have a significant relationship with customer loyalty.

Based on the description above, it is known that there are differences in research results regarding the effect of each element of marketing value and retail mix on consumer loyalty. Therefore, researchers are interested in conducting research with the title "The Effect of Marketing Mix and Retail Mix on Consumer Loyalty of Gelael Supermarket In Makassar City".

2 Research Methodology

The approach used in this research is a quantitative approach and causal research. This study aims to test the hypothesis (hypothesis testing) that explains Marketing mix has a positive and significant effect on Gelael Supermarket customer loyalty and Retail mix has a positive and significant effect on consumer loyalty at Gelael Supermarket.

In this study, the population is all consumers of Gelael Supermarket. The sampling technique uses one purposive sampling method in which members of the population are selected according to the problem and the purpose of the study as a sample. The criteria for selecting samples in this study are:

- 1) Men and women who have shopped at Gelael Supermarket Makassar.
- 2) Willing to become a respondent.

So, the number of samples that will be used in this study is 160 respondents, with the number of samples equal to 5 times the indicator , or:

Number of samoles = 5 x indicator (Bentler & Chou, 1987)

Research instruments in the form of a questionnaire. The questionnaire contains statements from indicators of all research variables using a Likert scale with five answer choices, namely 1 = strongly disagree to 5 = strongly agree which is adopted. The data analysis technique used in this study is Structural Equation Modeling (SEM) method with the Partial Least Square (PLS) with the Smart-PLS 2.0 software. The data analysis used in this study is descscriptive statistics, data quality test, Structural Equation Modeling-PLS analysis and goodness fit, and hypothesis testing. The initial measurements model is as follows;

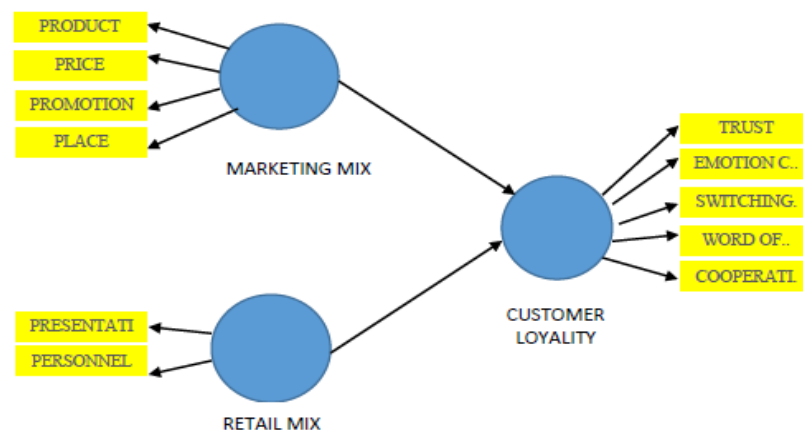
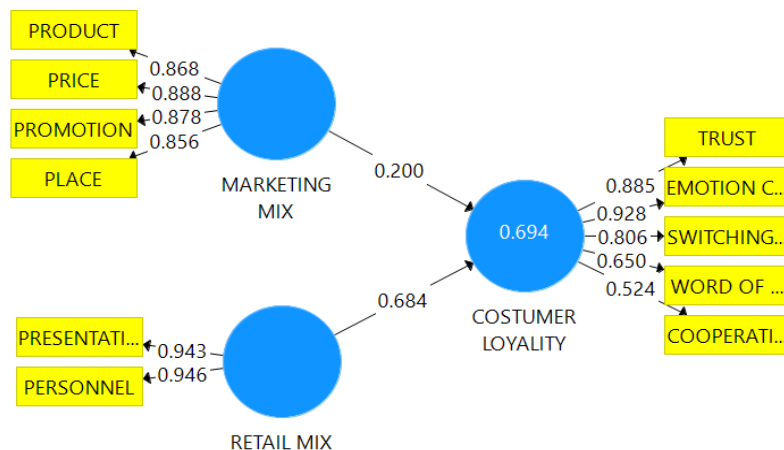


Fig 1. Initial Measurement Model

3 Result and Discussion

Evaluation Analysis of Measurement Model (Outer Model)

The outer model analysis function is that for each block of indicators related to the latent variable the loading factor value is an individual reflective measure that has a standard of 0.7 (Ghozali 2015). In the initial SEM Model explains the Marketing mix latent variable has 4 indicators. The Retail mix variable has 2 indicators. Consumer loyalty has 5 indicators. The initial SEM model can be presented in the following figure:



After testing according to the loading factor criteria where each indicator must have a value ≥ 0.7 , it must be eliminated. Indicators that must be eliminated are word of mouth and cooperation (Table 1):

Table 1. The Loading Factor Value

| Indicator | Loading Factor | Information |
|--------------------|----------------|-----------------------------------|
| Product | 0.868 | Received |
| Price | 0.888 | Received |
| Promotion | 0.878 | Received |
| Place | 0.856 | Received |
| Presentation | 0.943 | Received |
| Personnel | 0.946 | Received |
| Trust | 0.885 | Received |
| Emotion Commitment | 0.928 | Received |
| Switching Cost | 0.806 | Received |
| Word Of Mouth | 0.650 | Rejected (removed from the model) |
| Cooperation | 0.524 | Rejected (removed from the model) |

Information : LF < 0.70 = rejected.

The results of elimination from the research model found a new model that explains the customer loyalty variable reflected by 3 indicators, namely trust, emotion commitment and switching cost. In the reflective model the highest loading factor value is found in the Emotion Commitment of 0.928. The highest relative weight model is found in the latent variable Price of 0.888 and Personnel of 0.946. So that the path diagram of the final replication model can be seen in Figure 2 and the loading factor value in Table 1.

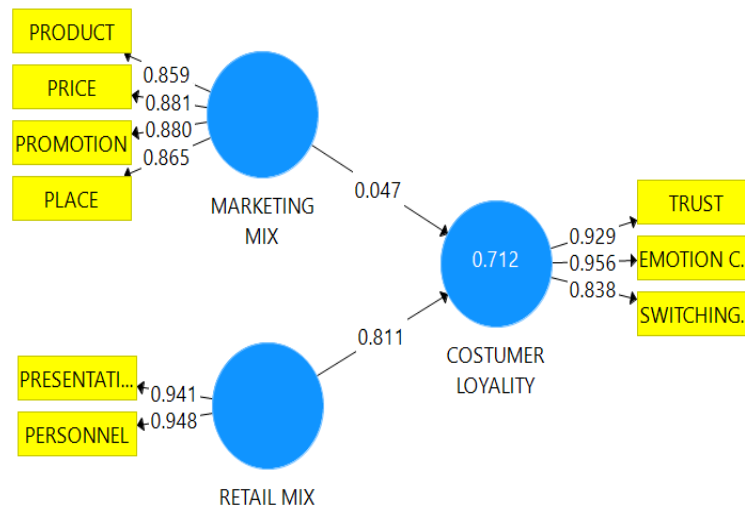


Fig 3. diagram of the final replication model path with loading factors

Fig. 3 shows that all loading factors are above 0.7 so that the model is declared fit. Some criteria for viewing an evaluation of the measurement model are as follows;

a. Average Variance Extracted

Testing convergent validity using AVE. Sy Model requirements have good validity if each latent variable has a AVE value above 0.5. AVE values are presented in Table 2.

Table 2. Value of Average Variance Extracted (AVE)

| Latent | Average Variance Extracted (AVE) | Information |
|------------------|----------------------------------|-------------|
| Costumer Loyalty | 0.827 | Valid |
| Marketing Mix | 0.759 | Valid |
| Retail Mix | 0.892 | Valid |

Information : AVE > 0.5 = Valid

Construct validity is assessed based on Average Variance Extracted (AVE). In this study the majority of AVE values are above 0.5. Therefore there is no problem of convergent validity in the tested model. The entire model is declared valid.

b. Composite reliability

Construct reliability is assessed based on Composite reliability to measure internal consistency and its value must be above 0.6. based on Table 3. the overall Composite reliability measurement results are above the value of 0.6 or reliable. This means that the data has been consistent and able to explain the model.

Tabel 3. Composite reability

| | Composite Reliability | Information |
|------------------|-----------------------|-------------|
| Costumer Loyalty | 0.934 | Realible |
| Marketing Mix | 0.927 | Realible |
| Retail Mix | 0.943 | Realible |

Information : Composite reability > 0.6 = realible

c. Cronbach Alpha

Evaluation on the measurement model (outer model) is used to assess reliability. Cronbach Alpha is used to identify reliability.

Table 4. Cronbach's alpha

| Latent | Cronbach's Alpha | Information |
|------------------|------------------|-------------|
| Costumer Loyalty | 0.896 | Realible |
| Marketing Mix | 0.897 | Realible |
| Retail Mix | 0.879 | Realible |

Information : >0.7 : reliable

Based on the test results, the majority of Cronbach's Alpha values are at the level of reliability with values above 0.7. the conclusion is that the model is considered realible because the majority already meet the Cronbach's Alpha standard.

Structural Model Evaluation Analysis (Inner Model)

Evaluation of structural models (inner model) is used to test the effect of latent variables with other latent variables both exogenous and endogenous, whether there are positive or negative influences.

1. *R²*

The R² criteria for endogenous latent variables indicate how much the diversity of endogenous variables can be explained by exogenous variables. The test results show that the R² value of the endogenous variable is 0.712 which means that the analysis result model can explain 71.2 percent of the phenomena studied, while the remaining 28.8 percent is an error from the model or explained by other variables not contained in the model.

2. *Goodness of fit*

According to Tenenhau (2004), the value of small GoF = 0.1, medium GoF = 0.25 and large GoF = 0.5. The Gof value obtained is 0.767 and is included in the large category which means that the model is fit and suitable for use.

3. *Evaluate coefficients*

Table 5. Coefficient Evaluation

| Relationship and Influence Between Variables | Coefficient | Relationship |
|--|-------------|--------------|
| Marketing Mix -> Costumer Loyalty | 0.047 | Positive |
| Retail Mix -> Costumer Loyalty | 0.811 | Positive |

According to analysis,

- Marketing mix and customer loyalty are related positively.
- Retail mix and customer are related positively.

4. *Hypothesis Test*

Table 6. Hypothesis Test

| | Standar D | T Statistics | P Values | Information |
|--------------------------------------|--------------|--------------|-------------|-----------------|
| Marketing Mix -> Costumer Loyalty | 0.047 | 0.995 | 0.320 | Not Significant |
| Retail Mix -> Costumer Loyalty | 0.038 | 21.363 | 0.000 | Significant |

Information : P-value<0.05 = significant.

Result:

- Marketing mix has no significant effect on customer loyalty.
- Retail mix has a significant effect on customer loyalty.

Bootstrap results on the path coefficients are presented in table 4.6. and table 4.7. It was found that retail mix had a positive and significant effect on consumer loyalty at the real level of 0.05 (p value <0.05). Thus hypothesis 2 can be accepted while the Marketing mix, is positive and

has no significant effect on customer loyalty at the real level of 0.05 (p value <0.05). So hypothesis 1 is rejected. Therefore, to increase consumer loyalty in supermarkets Gelael need to improve the management of the retail mix.

From the hypothesis testing, the results show that the marketing mix is positive and has no significant effect on consumer loyalty at the significant level of 0.05 (p value <0.05), so that H1 is rejected. On the other hand, retail mix is positive and has a significant effect on consumer loyalty (p value <0.05). Thus, Hypothesis 2 (H2) can be accepted. Based on the results of the SEM PLS analysis, the marketing mix has no significant effect on consumer loyalty because Gelael Supermarket is a supermarket that sells products that are also sold in other supermarkets, although there are some products that are not sold elsewhere. However, the Marketing Mix has a significant effect on consumer loyalty because the focus of consumer loyalty in Gelael supermarkets is the supermarket's efforts to retain old customers, rather than finding new consumers for the the marketed products. Generally, the effort to retain old customers have relatively lower costs compared to efforts to find new customers. This is related to promotion efforts that are not as intense as when a new supermarket were trying to attract consumers. Therefore to increase consumer loyalty, there need to be an improvement related to Personnel and Presentation. Old customers will be loyal and provide information to others if the service from employees is good. Moreover, the majority of products sold are the same as other stores, the consistency between prices on the shelves and at the cashier, if employees do not provide receipts then consumers will get the product for free. In the well-known condition of the Gelael supermarket, which has a good price mix, location mix, good product mix, what is very influential is how to improve personnel indicators related to service from employees, and presentations related to product shelf layout, room lighting, and background music. Gelael Supermarket provides a comfortable and relaxed shopping experience. Therefore, to increase consumer loyalty at Gelael Supermarket, it is necessary to increase retail mix management.

4 Conclusion

From the results of the analysis and discussion described previously, it can be drawn several conclusions from the overall results of the analysis that are considered necessary, namely:

1. Marketing mix does not have a significant effect on consumer loyalty.
2. Retail Mix has a significant effect on consumer loyalty of Gelael Supermarket. Therefore, to increase the consumer loyalty of Gelael Supermarket, company must improve its retail mix.

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