

THE EFFECT OF PRODUCT QUALITY, PRICE, PROMOTION AND QUALITY OF SERVICE ON CUSTOMER LOYALTY IN PURCHASE DECISION MEDIATION (MSME CRAFTING BAGS FROM SYNTHESIS LEATHER MATERIAL IN BOJOASRI, KALITENGGAH LAMONGAN) ANALYSIS OF THE STRUCTURE METHOD (SQUARE (PLESTEAST) ANALYSIS OF SYNTHETIC LEATHER MATERIALS IN BOJOASRI, KALITENGGAH LAMONGAN) HANDICRAFT FROM SYNTHETIC LEATHER IN BOJOASRI)

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ABSTRACT

This study examines the effect of product quality, price, promotion, and service quality on customer loyalty of MSME Leather Handicraft Bags and purchasing decisions on customer loyalty. This research is quantitative descriptive. This research involves MSME customers of leather bags. This study took a sample of 150 people. SEM with Smart PLS 3.3.7 was used to analyze. According to the research, purchasing decisions are included in partial and full mediation, and product quality, price, and promotion have a positive and significant effect on customer loyalty, while service quality has a positive but not significant effect. Product quality, price, promotion, and service quality have an effect on purchasing decisions and customer loyalty at UMKM Handicraft Bags from Synthetic Leather in Bojoasri Kalitengah Lamongan.

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1. INTRODUCTION

In the business world, the rate of change is accelerating. This is evidenced by the establishment of new companies in many regions of Indonesia during the period of globalization, which grew rapidly and increased job competition. MSMEs will be allowed to start industrial enterprises. The gap between the number of accessible jobs and the number of available human resources encourages people to be more independent and resourceful in terms of job creation. Judging from the variety of existing job opportunities, the people of Bojoasri village are classified as people with moderate economic status. Around 350 Bojoasri residents are employed.

Due to the development of business competition and the number of rivals, businesses must always pay attention to the requirements and desires of their consumers and strive to meet their expectations by providing superior customer service. As the saying goes, the customer is entitled to whatever he wants, regardless of whether he buys the goods being marketed or not. As buyers or consumers have pointed out, each customer has a certain personality. Buyer behavior refers to how buyers act when trying to make a purchase by analyzing and rejecting goods and services that they feel will meet their needs. Kanuk Kanuk Kanuk Kanuk Kanuk Kanuk Kanuk Kanuk (2009). When a customer sees something for sale, the final decision is whether to buy it or not; the right to buy a product is absolute. After consuming a product or

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service, users will experience satisfaction or dissatisfaction with the product or service. One aspect that affects customer happiness is service quality. Consumer purchasing decisions according to Tjiptono (2008) are individual behavior that directly or indirectly includes efforts to obtain and utilize a product or service that is needed. Consumers will get a sense of pleasure and sensation if the quality of service is high. This pleasure will have a beneficial effect on the business as consumers will be more inclined to suggest it to others. As a result, the end result will certainly be very useful for the business, profitable in terms of material, and the company's image will be positive due to the high quality of service and prices that match today's market. Service quality is a way to satisfy customer wants and needs, as well as delivery terms that balance what consumers want. As a result, quality is influenced by two variables: the service received or perceived and the service intended.

2. METHOD

This research will take place between October 2021 and March 2022. Bojoasri Village, Kalitengah District, Lamongan Regency, is the focus of this thesis research. Quantitative descriptive method is used in this research. Final year students in the Isban discipline often undertake quantitative research. Students certainly need examples of quantitative research to gain an understanding of how research should be conducted first. As a result, students should have a thorough understanding of quantitative research, covering a wide range of methods. Researchers who use quantitative research to analyze certain populations and samples to test the hypotheses that have been prepared, do so in accordance with Sugiono's philosophy of positive science (2014). Arikunto (2006), on the other hand, advocates quantitative research, which is a research strategy that relies heavily on statistics, starting from data collection through data interpretation to presenting findings.

3. RESULT AND DISCUSSION

1. Evaluation of the Outer Model (Measurement Model)

a.) Convergent Validity

If the loading factor for the target construct is more than 0.7, then it is declared valid. In addition, the upper limit of AVE is set at 0.5. ias is valid if the value in each exceeds the limit. The SmartPLS output for the loading factor and average extracted variation (AVE) is as follows:

Table 1. External Loading

	PRODUCT QUALITY (X1)	PRICE (X2)	PROMOTION (X3)	QUALITY OF SERVICE (X4)	CUSTOMER LOYALTY (Y)	PURCHASE DECISION (Z)
X1.1	0,835					
X1.2	0.823					
X1.3	0.819					
X2.1		0,856				
X2.2		0.858				
X2.3		0,862				
X3.1			0.858			
X3.2			0.811			
X3.3			0.885			
X4.1				0,938		
X4.2				0,921		

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Y1					0.824	
Y2					0.879	
Y3					0,712	
Y4					0,868	
Y5					0,868	
Y6					0.853	
Z1						0,800
Z2						0,752
Z3						0.902
Z4						0,904

Source: SEM-PLS Result Data 3.3.7 (2022)

b. Reliability Test

is a test used to see how far the measurement is free from random/random. (Sugiyono 2015:60). There are 2 measurements used to test reliability

Table 2. Composite Reliability & Cronbach's Alpha

	Composite Reliability	Alpha Cronbach	Information
PRODUCT QUALITY (X1)	0,865	0,768	RELIABLE
PRICE (X2)	0,894	0.823	RELIABLE
PROMOTION (X3)	0,888	0.812	RELIABLE
QUALITY OF SERVICE (X4)	0,927	0,844	RELIABLE
PURCHASE DECISION (Z)	0,906	0,861	RELIABLE
CUSTOMER LOYALTY (Y)	0,933	0,913	RELIABLE

Source: Processed Primary Data (2022)

Composite reliability (Cr) and Cronbach's Alpha Group An indicator that measures any isarad has the best composite reliability if the value is more than 0.7, although it is not included in the absolute/absolute construct reliability test. According to Cronbach's Alpha, everything is considered reliable if its value is greater than or equal to 0.77.

2. Structural Model (Inner Model)

a) R-Square

According to Ghozali, Imam (2006:55), if the R-Square value is 0.67, then ari is said to be strong, 0.33 is said to be moderate, and 0.19 is said to be weak. The R-squared values are shown below.

Table 3 R-Square

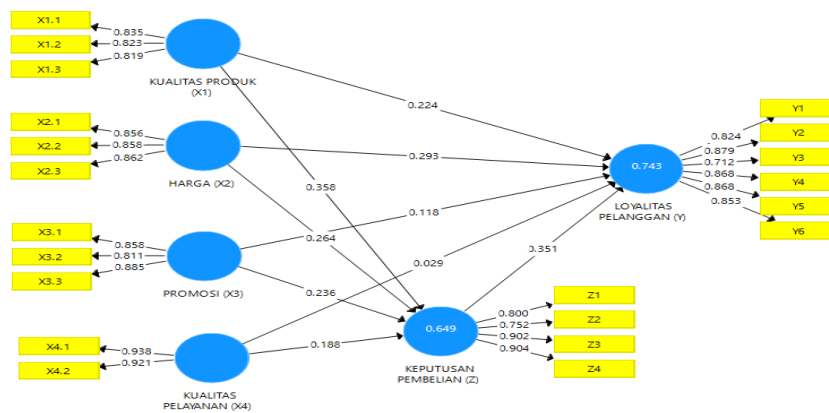
	R box	R Square Customized
PURCHASE DECISION (Z)	0,649	0,639
CUSTOMER LOYALTY (Y)	0,743	0,734

Source: SEM-PLS Result Data 3.3.7

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There is an R-Square effect of 0.743% when the R-Square takes into account X1 Product Quality, X2 Price, and X3 Promotion, as well as X4 Service Quality. When the four exogenous factors (product quality, price, promotion, and service) have an impact on Y by 73.4 percent, it can be said that the effect of Product Quality X1, X2, Price, Promotion, and Service Quality on Customer Y Loyalty is substantial. The remaining 26.6 percent can be attributed to factors not included in this investigation.

Figure 1 Structural Model



Source: SEM-PLS Result Data 3.3.7

3. Mediation Test

The aim of this experiment was to examine the mediating effects of exogenous substances on their endogenous counterparts. This analysis can be seen in Partial Least Squares on the Bootstrapping Specific Indirect Effects (PLS) form. According to this test, if the relationship between exogenous and endogenous is positive, there is no mediation, and if the relationship is negative, there is mediation. Partial Mediation occurs when the ratios of exogenous and endogenous are both positive, and mediation is also positive, whereas Full Mediation occurs when all three are positive. There are several ways to know whether the P-value for a Specific Indirect Effect > 0.05 is negative or positive.

Table 4 Path Coefficient

	Original Sample (O)	Sample Average (M)	Standard Deviation (STDEV)	T statistic (O/STDEV)	P value
PRODUCT QUALITY (X1) -> PURCHASE DECISION (Z)	0,358	0,361	0,061	5,827	0,000
PRODUCT QUALITY (X1) -> CUSTOMER LOYALTY (Y)	0,224	0,221	0,073	3,066	0,001
PRICE (X2) -> PURCHASE DECISION (Z)	0,264	0,260	0,071	3,737	0,000
PRICE (X2) -> CUSTOMER	0,293	0,298	0,076	3,847	0,000

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LOYALTY (Y)					
PROMOTION (X3) -> PURCHASE DECISION (Z)	0.236	0.237	0,080	2.954	0,002
PROMOTION (X3) -> CUSTOMER LOYALTY (Y)	0.118	0,119	0,058	2.047	0,021
QUALITY OF SERVICE (X4) -> PURCHASE DECISION (Z)	0,188	0,184	0,057	3.280	0,001
QUALITY OF SERVICE (X4) -> CUSTOMER LOYALTY (Y)	0,029	0,029	0,043	0,667	0,252
PURCHASE DECISION (Z) -> CUSTOMER LOYALTY (Y)	0.351	0,347	0,079	4.439	0,000

Source: SEM-PLS Result Data 3.3.7

Judging from the product quality variable there is a positive correlation of $0.126 > 0.000$ and the important value is seen from P Values = $0.001 > 0.05$; in terms of the price variable, there is an important correlation of $0.93 > 0.000$ and an important value seen from P Values = $0.06 > 0.05$; and in terms of promotion variables there is a significant correlation of $0.06 > 0.05$ and the important value is seen from P Values = $0.06 > 0.05$. Partial mediation refers to the use of price variations based on customer loyalty to influence customer purchasing decisions. Partial mediation refers to the use of Customer Loyalty Promotion Variables to influence customer purchasing decisions. Full Mediation refers to the Service Quality Variables for Loyal Customers that are mediated by Purchase Decisions.

Hypothesis test

There is a positive relationship between product quality variables and customer loyalty mediated by purchasing decisions of $0.126 > 0.000$ and a significant value seen from P Values = $0.000 > 0.05$. Price variable on purchasing decisions mediated by customer loyalty has a positive correlation of $0.93 > 0.000$ and a significant value seen from P Values = $0.00 > 0.05$. Partial mediation refers to a situation where the price of a product is influenced by the level of customer loyalty. Customer Loyalty Promotional Variables mediated by Purchase Decisions can be referred to as Partial Mediators. Purchase Decisions mediated by Service Quality Variables to Loyal Customers can be called Full Mediation

Table 5. Hypothesis testing

No	HYPOTHESIS	ANALYSIS
1	Quality Products => Loyalty Customers	Coefficient Score = 0.224
		P value = 0.001
		T - statistic = 3.066
		T - table = 1.655
		T-statistics > t-table
2	Price => Customer Loyalty	Coefficient Score = 0.293
		P value = 0.000
		T - stats = 3,847
		T - table = 1.655
		T-statistics > t-table

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3	Promotion => Customer Loyalty	Coefficient Score = 0.118
		P value = 0.021
		T - stats = 2.047
		T - table = 1.655
		T-statistics > t-table
4	Quality Service => Customer Loyalty	Coefficient Score = 0.029
		P value = 0.252
		T - statistic = 0.667
		T - table = 1.655
		T-statistic < t-table
5	Product Quality => Purchase Decision	Coefficient Score = 0.358
		P value = 0.000
		T - stats = 5,827
		T - table = 1.655
		T-statistics > t-table
6	Price => Purchase Decision	Coefficient Score = 0.264
		P value = 0.000
		T - statistic = 3.737
		T - table = 1.655
		T-statistics > t-table
7	Promotion => Purchase Decision	Coefficient Score = 0.236
		P value = 0.002
		T - stats = 2,954
		T - table = 1.655
		T-statistics > t-table
8	Quality Service => Purchase Decision	Coefficient Score = 0.188
		P value = 0.001
		T-statistic = 3.280
		T - table = 1.655
		T-statistics > t-table
9	Purchase Decision => Customer Loyalty	Coefficient Score = 0.351
		P value = 0.000
		T - stats = 4.439
		T - table = 1.655
		T-statistics > t-table

Source: SEM-PLS Result Data 3.3.7

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Judging from the product quality variable there is a positive correlation of $0.126 > 0.000$ and the important value is seen from P Values = $0.001 < 0.05$; in terms of the price variable, there is an important correlation of $0.93 > 0.000$ and an important value seen from P Values = $0.06 > 0.05$; and in terms of promotion variables there is a significant correlation of $0.06 > 0.05$ and the important value is seen from P Values = $0.06 < 0.05$. Partial mediation refers to the use of price variations based on customer loyalty to influence customer purchasing decisions. Partial mediation refers to the use of Customer Loyalty Promotion Variables to influence customer purchasing decisions. Full Mediation refers to the Service Quality Variables for Loyal Customers that are mediated by Purchase Decisions.

Hypothesis test

There is a positive relationship between product quality variables and customer loyalty mediated by purchasing decisions of $0.126 > 0.000$ and a significant value seen from P Values = $0.000 < 0.05$. Price variable on purchasing decisions mediated by customer loyalty has a positive correlation of $0.93 > 0.000$ and a significant value seen from P Values = $0.00 < 0.05$. Partial mediation refers to a situation where the price of a product is influenced by the level of customer loyalty. Customer Loyalty Promotional Variables mediated by Purchase Decisions can be referred to as Partial Mediators. Purchase Decisions mediated by Service Quality Variables to Loyal Customers can be called Full Mediation.

Table 6. Hypothesis testing

No	HYPOTHESIS	ANALYSIS
1	Quality Products => Loyalty Customers	Coefficient Score = 0.224
		P value = 0.001
		T - statistic = 3.066
		T - table = 1.655
2	Price => Customer Loyalty	T-statistics > t-table
		Coefficient Score = 0.293
		P value = 0.000
		T - stats = 3,847
3	Promotion => Customer Loyalty	T - table = 1.655
		T-statistics > t-table
		Coefficient Score = 0.118
		P value = 0.021
4	Quality Service => Customer Loyalty	T - stats = 2.047
		T - table = 1.655
		T-statistics > t-table
		Coefficient Score = 0.029
5	Product Quality => Purchase Decision	P value = 0.252
		T - statistic = 0.667
		T - table = 1.655
		T-statistic < t-table
6	Price => Purchase Decision	Coefficient Score = 0.358
		P value = 0.000
		T - stats = 5,827
		T - table = 1.655
6	Price => Purchase Decision	T-statistics > t-table
		Coefficient Score = 0.264
		P value = 0.000
		T - statistic = 3.737

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		T - table = 1.655
		T-statistics > t-table
7	Promotion => Purchase Decision	Coefficient Score = 0.236
		P value = 0.002
		T - stats = 2,954
		T - table = 1.655
		T-statistics > t-table
8	Quality Service => Purchase Decision	Coefficient Score = 0.188
		P value = 0.001
		T-statistic = 3.280
		T - table = 1.655
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9	Purchase Decision => Customer Loyalty	Coefficient Score = 0.351
		P value = 0.000
		T - stats = 4.439
		T - table = 1.655
		T-statistics > t-table

Source: SEM-PLS Result Data 3.3.7

Product Quality on Customer Loyalty

Quality Can Change Easily. Customer Loyalty to MSME Handbag Crafts from Synthetic Leather in Bojoasri Kalitengah Lamongan is positively influenced by these products. This can be seen in the quality of the product and customer loyalty to it. According to the customer, the coefficient value is $0.224 > 0.000$, with a P value of $0.001 < 0.05$, and the T-Statistic is $3.066 > 1.655$. As a result, H_0 is ruled out and H_1 is accepted, indicating that the effect is large. As a result, an increase in customer loyalty and a decrease in quality will be positively influenced by products with higher quality scores. Using these products will help reverse the decline in customer satisfaction.

Price for Customer Loyalty

Customer loyalty to MSME Handicraft Bags from Synthetic Leather in Bojoasri, Kalitengah, and Lamongan is positively influenced by the price variable. The Price to Loyalty variable is a good illustration of this. AP value of $0.000 < 0.05$ and T-Statistic of $3.847 > 1.655$ were reported by the client as coefficient value and P-value, respectively. As a result, H_0 is ruled out and H_2 is accepted, showing a fairly large positive effect. Thus, an increase in price value can significantly and positively affect customer loyalty, while a decrease in price value can significantly and positively affect customer loyalty. Determination of variable prices with t count of $4.424 > t$ able of 1.98447 or sig. less than 0.05 ($0.000 < 0.05$) can be considered to have a large influence on customer loyalty if the sig value is less than 0.05 ($0.000 < 0.05$).

Customer Loyalty Promotion

Customer loyalty to MSME Handicraft Bags from Synthetic Leather in Bojoasri, Kalitengah, and Lamongan is positively influenced by promotional factors. similar to the findings of Wulandari's t-test, Sri Eka (20-18), which showed a p-value of $0.000 < 0.05$ and a t-value of $5.479 > t$ -table 0.1998 . Based on this, it can be concluded that the Promotion variable has an effect on customer loyalty.

Quality of Service towards Customer Loyalty

Quality of Service That Can Change Consumer Loyalty to MSME Handicraft Bags in Bojoasri Kalitengah Lamongan has a positive effect, although not much. The Service Quality Variable for Loyalty shows this. The customer reported that the coefficient was $0.029 > 0.000$, the P value was $0.252 > 0.05$, and the T-Statistic was $0.667 < 1.655$, all in accordance with customer reporting. H_0 was approved but H_4 was rejected, indicating that there was some, if slight, effect. It is possible that an increase in the value of

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service quality or a decrease in the value of price will have a beneficial effect in increasing customer loyalty, but the effect will be minimal.

Quality Products on Purchase Decision

The decision is positively and significantly influenced by the Product Quality Variable. Synthetic Leather Handicraft Bags purchased from SMEs in Bojoasri, Lamongan, and Kalitengah. A look at the Quality Variables shows that this is true. The Purchase Decision Product shows a coefficient value of $0.358 > 0.000$ and a P-value of $0.00 < 0.05$ and a T-Statistic of $5.827 > 1.655$ in a Purchase Decision. A substantial positive impact means that H_0 is rejected and H_5 is approved. As a result, better product quality has a major influence on better decision making. A decrease in the quality of goods will have a beneficial and large effect on the decrease in the number of purchases. Customers value MSME goods for their unique design and higher level of durability. As a result, many people buy this synthetic bag product.

Price on Purchase Decision

MSME Handbags from Synthetic Leather in Bojoasri, Kalitengah, and Lamongan are positively and significantly affected by the price variable. When viewed from the Price Variable on Purchase Decisions, the coefficient value is $0.264 > 0.000$, which means the P value is smaller than 0.0000 and the T-Statistic is $3.737 > 1.655$. The significant positive impact can be seen in the rejection of the null hypothesis and acceptance of the H_6 hypothesis.

Quality of Service on Purchase Decisions

In Bojoasri Kalitengah Lamongan, which sells MSME Handicraft Bags from Synthetic Leather, purchase choice is positively influenced by the variable of high service quality. Judging from the Service Quality Variables on Purchase Decisions, the coefficient value is $0.188 > 0.000$, and the T-Statistic is $3.280 > 1.655$ so that H_0 is ruled out and H_8 is accepted, which means there is a fairly large beneficial impact. The increase in service value as well as a decrease in service quality has a good and substantial effect on increasing purchasing options.

4. CONCLUSION

Product Quality Benefits Loyal Customers of UKM Handicraft Bags from Synthetic Leather in Bojoasri, Lamongan Tengah. Price increase for loyal customers of SME Handbag Crafts from Synthetic Leather in Bojoasri, Lamongan. Profitable and substantial promotions for Customer Loyalty at UKM Handicraft Bags from Synthetic Leather Materials in Bojoasri Tengah Lamongan. Quality of service has a good impact on the SME Handicraft Bags from Synthetic Leather in Bojoasri, Lamongan. Product Quality Has a Positive Impact on Purchasing Decisions for Handicraft Bags from SME Leather Synthetic Materials in Bojoasri, Lamongan Tengah. Price influences the purchasing decision of UKM Handicraft from Synthetic Leather in Bojoasri, Lamongan. Promotion has a positive effect on the purchase choice of SME Handicraft Bags from Synthetic Leather in Bojoasri in the middle period of Lamongan. Quality of service has a good impact on UKM Handicraft Bags from Synthetic Leather in Bojoasri, Lamongan. Purchase decisions affect loyalty to the Synthetic Leather Handicraft Bag SMEs in Bojoasri, Kalitengah, Lamongan.

SUGGESTION

1. For SME Synthetic Leather Bags Bojoasri Kalitengah Lamongan Given that service quality has no significant effect on customer loyalty, increasing purchasing decisions can increase customer loyalty.
2. For Further Research
 - a. Further research can add analytical data to the questionnaire answers to increase the validity of the data.
 - b. Future research may use more valid analytical tools, yielding more valid data.
3. For Academics
This study aims to deepen the understanding of marketing management and the PLS SEM method.

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